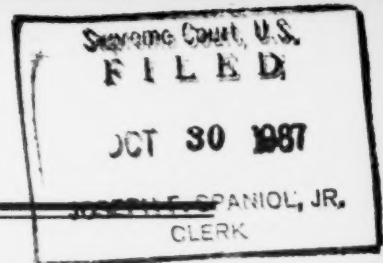


87 - 7 05

No. 87-



IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1987

UNION PACIFIC RAILROAD COMPANY,  
UNION PACIFIC CORPORATION,  
MISSOURI PACIFIC RAILROAD COMPANY,  
KANSAS CITY SOUTHERN INDUSTRIES, INC.,  
KANSAS CITY SOUTHERN RAILWAY COMPANY,  
BURLINGTON NORTHERN, INC.,  
BURLINGTON NORTHERN RAILROAD COMPANY, AND  
CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY,

*Petitioners,*  
v.

ENERGY TRANSPORTATION SYSTEMS, INC., AND  
ETSI PIPELINE PROJECT, A JOINT VENTURE, *et al.*,  
*Respondents.*

**PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT**

B.J. BRADSHAW  
RICHARD N. CARRELL  
LAYNE E. KRUSE  
FULBRIGHT & JAWORSKI  
1301 McKinney Street  
Houston, TX 77010  
(713) 651-5151

HENRY P. SAILER  
GREGG H. LEVY \*  
MITCHELL F. DOLIN  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 662-6000

JOHN G. BISSELL  
STRONG, PIPKIN, NELSON &  
BISSELL  
595 Orleans Street  
Beaumont, TX 77701  
(409) 835-4581

*Attorneys for Petitioners Union Pacific Railroad Company,  
Union Pacific Corporation and  
Missouri Pacific Railroad Company*

[Counsel for other petitioners are identified on the inside cover]

October 1987

\* Counsel of Record

O. J. WEBER, JR.  
MEHAFFY, WEBER, KEITH &  
GONSOULIN  
P.O. Box 16  
Beaumont, TX 77704  
(409) 835-5011

JOHN H. SHENEFIELD \*  
PETER E. HALLE  
MORGAN, LEWIS & BOCKIUS  
1800 M Street, N.W.  
Washington, D.C. 20036  
(202) 872-5000

*Attorneys for Petitioners*  
*Kansas City Southern Industries, Inc. and*  
*Kansas City Southern Railway Company*

LOUIS B. PAINE, JR.  
BUTLER & BINION  
1600 Allied Bank Plaza  
Houston, TX 77002  
(713) 237-3111

JOHN R. LABOVITZ  
MARK F. HORNING \*  
STEPTOE & JOHNSON  
1330 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
(202) 429-3000

*Attorneys for Petitioners*  
*Burlington Northern, Inc. and*  
*Burlington Northern Railroad Company*

WALTER J. CRAWFORD, JR.  
WELLS, PEYTON, BEARD,  
GREENBERG, HUNT &  
CRAWFORD  
624 Petroleum Building  
550 Fannin Street  
Beaumont, TX 77704  
(409) 838-2644

GARY SENNER \*  
STEVEN H. FRANKEL  
SONNENSCHN EIN CARLIN NATH &  
ROSENTHAL  
233 S. Wacker Drive  
8000 Sears Tower  
Chicago, IL 60606  
(312) 876-8059

*Attorneys for Petitioner*  
*Chicago and North Western Transportation Company*

\* Counsel of Record



## QUESTIONS PRESENTED

1. Whether, absent fraud upon or collusion with the court, bringing a successful lawsuit can give rise to treble damage liability under the antitrust laws.

2. Whether, absent fraud upon or collusion with the court, defending oneself in a lawsuit brought by a potential competitor can give rise to treble damage liability under the antitrust laws.

3. Whether assisting a State government in prosecuting a successful lawsuit can give rise to treble damage liability under the antitrust laws.

4. Whether first amendment rights and *Noerr-Pennington* protection can be abrogated without consideration of the reasonableness of the litigant's legal position and conduct in the proceedings challenged as sham.

## THE PARTIES BELOW

### *Plaintiffs-Respondents Below*

Energy Transportation Systems, Inc.

ETSI Pipeline Project, A Joint Venture composed of:

Texas Eastern Slurry Transport Company,

a subsidiary of Texas Eastern Corporation;

Overseas Bechtel, Incorporated, a subsidiary of

Bechtel Petroleum, Inc., a subsidiary of Bechtel Group, Inc.;

Northern Coal Pipeline Company, a subsidiary of Enron, Inc.; and

Slurco Corporation, a subsidiary of K-N Energy Company, Inc.

Arkansas Power & Light Company, a subsidiary of Middle South Utilities, Inc.

Houston Lighting & Power Company and Utility Fuels, Inc., subsidiaries of Houston Industries, Inc.

### *Defendants-Petitioners Below*<sup>1</sup>

Burlington Northern, Inc. and its wholly owned subsidiary Burlington Northern Railroad Company - Union Pacific Corporation and its wholly owned subsidiaries Union Pacific Railroad Company and Missouri Pacific Railroad Company

Kansas City Southern Industries, Inc. and its wholly owned subsidiary Kansas City Southern Railway Company

Chicago and North Western Transportation Company  
The Atchison, Topeka & Santa Fe Railway Company<sup>2</sup>

---

<sup>1</sup> Pursuant to Rule 28.1, a statement reflecting petitioners' corporate parents, subsidiaries (other than wholly owned subsidiaries) and affiliates has been lodged with the Clerk.

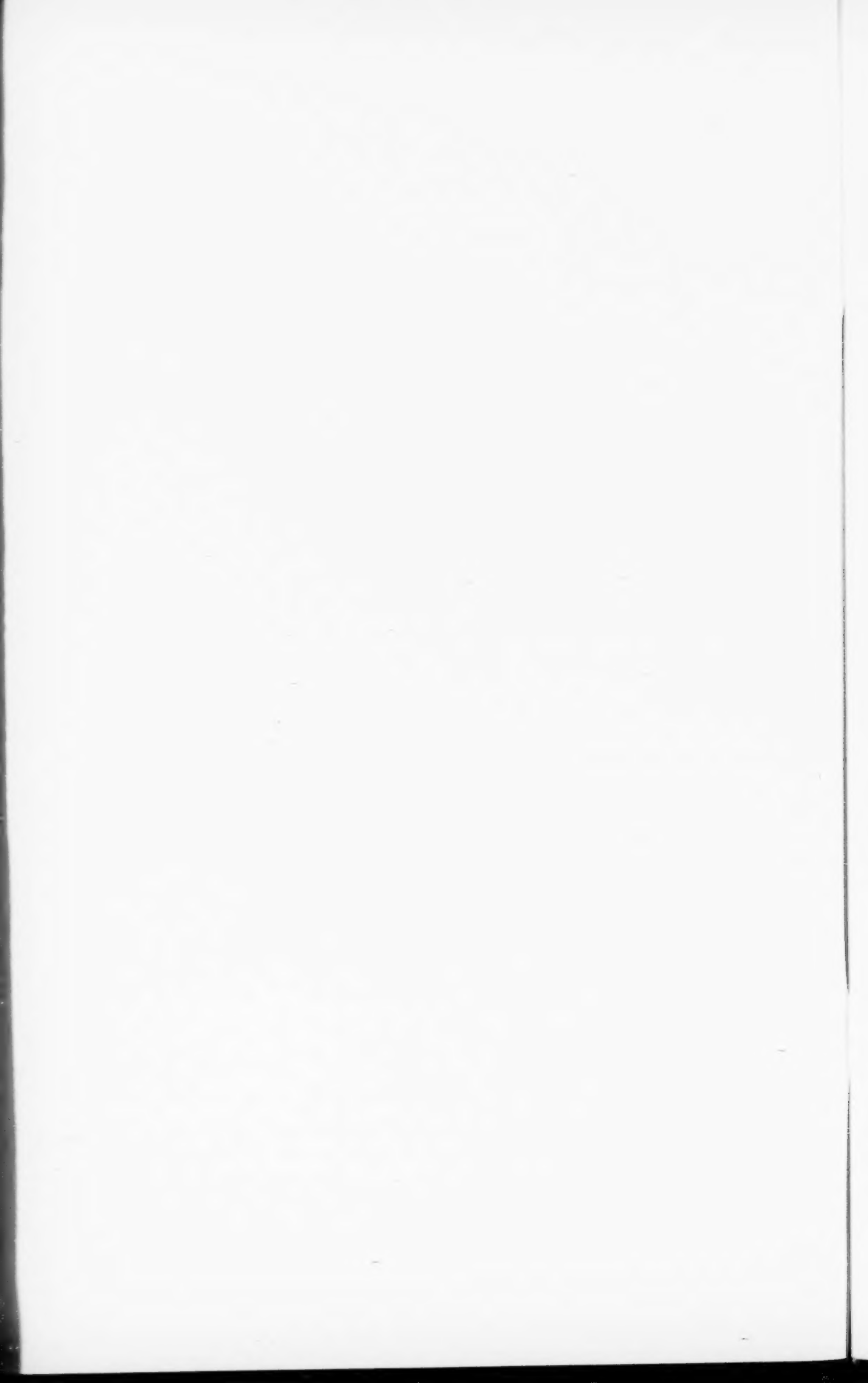
<sup>2</sup> The Atchison, Topeka & Santa Fe Railway Company, a subsidiary of Santa Fe Southern Pacific Corporation, is a defendant in the district court, but was technically not a petitioner in the court of appeals, although it supports petitioners' position.

*Intervenors Below*

State of Iowa  
State of Missouri  
State of Nebraska

*The District Court*

The Honorable Robert M. Parker, United States District  
Court, Eastern District of Texas



## TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED .....	i
THE PARTIES BELOW .....	ii
TABLE OF CONTENTS .....	v
TABLE OF AUTHORITIES .....	vii
OPINIONS BELOW .....	1
JURISDICTION .....	2
CONSTITUTIONAL PROVISIONS AND STATUTE INVOLVED .....	2
STATEMENT OF THE CASE .....	2
REASONS FOR GRANTING THE PETITION .....	7
I. THE OPINION OF THE PANEL MAJORITY CONFLICTS WITH VIRTUALLY EVERY POST-NOERR APPELLATE DECISION ADDRESSING THE QUESTIONS PRESENTED FOR REVIEW .....	10
A. Successful Litigation .....	10
B. Defense Of Litigation .....	13
C. Assisting Government Litigation .....	16
D. Appropriate Test For Sham Litigation .....	18
II. THE DECISION BELOW WILL HAVE SIGNIFICANT, ADVERSE PRACTICAL CONSEQUENCES IN FUTURE CASES .....	22
III. THE ISSUES PRESENTED WARRANT IMMEDIATE REVIEW BY THIS COURT .....	24
CONCLUSION .....	26

## TABLE OF CONTENTS—Continued

	Page
APPENDIX A —Opinion of the Court of Appeals (822 F.2d 518).....	1a
APPENDIX B —Memorandum Opinion and Order of the District Court (February 13, 1987) .....	34a
APPENDIX C —Recommended Memorandum Opinion and Order of Special Master (December 31, 1986) .....	59a
APPENDIX D —Order of the Court of Appeals Denying Petition for Rehearing (August 12, 1987) .....	84a
APPENDIX E —Order of the District Court Setting Aside Previous Order of February 13, 1987 (July 20, 1987) .....	86a
APPENDIX F —Findings of Fact, Conclusions of Law, and Order of District Court (October 2, 1987) .....	87a
APPENDIX G —Order of the District Court Staying Previous Order of October 2, 1987 (October 14, 1987) .....	104a
APPENDIX H —Order of the District Court Denying Defendants' Motion for Partial Summary Judgment (February 13, 1987) .....	106a
APPENDIX I —Handler & DeSevo, <i>The Noerr Doctrine and its Sham Exception</i> , 6 Car-dozo L. Rev. 1 (1984) .....	107a
APPENDIX J —Constitutional Provisions and Statute Involved .....	212a

## TABLE OF AUTHORITIES

<i>Cases:</i>	<i>Page</i>
<i>Allied Tube &amp; Conduit Corp. v. Indian Head, Inc.</i> , 108 S.Ct. 65 (1987) (No. 87-157) -----	8
<i>American Surety Co. v. Baldwin</i> , 287 U.S. 156 (1932) -----	15
<i>Bill Johnson's Restaurants, Inc. v. NLRB</i> , 461 U.S. 731 (1983) -----	<i>passim</i>
<i>Brunswick Corp. v. Riegel Textile Corp.</i> , 752 F.2d 261 (7th Cir. 1984), <i>cert. denied</i> , 472 U.S. 1018 (1985) -----	13, 14
<i>California Motor Transport Co. v. Trucking Un- limited</i> , 404 U.S. 508 (1972) -----	8, 14, 20, 21
<i>Clipper Express v. Rocky Mountain Motor Tariff Bureau, Inc.</i> , 690 F.2d 1240 (9th Cir. 1982), <i>cert. denied</i> , 459 U.S. 1227 (1983) -----	19
<i>Coca-Cola Co. v. Overland, Inc.</i> , 692 F.2d 1250 (9th Cir. 1982) -----	10
<i>Columbia Pictures Industries, Inc. v. Redd Horne, Inc.</i> , 749 F.2d 154 (3d Cir. 1984) -----	11, 19
<i>Commodity Futures Trading Comm'n v. Wein- traub</i> , 471 U.S. 343 (1985) -----	25
<i>Decker v. Harper &amp; Row Publishers, Inc.</i> , 400 U.S. 348 (1971) -----	25
<i>Eastern Railroad Presidents' Conference v. Noerr Motor Freight, Inc.</i> , 365 U.S. 127 (1961) -----	<i>passim</i>
<i>Energy Transportation Systems, Inc. v. Union Pa- cific Railroad Co.</i> , 619 F.2d 696 (8th Cir. 1980) -	6
<i>Energy Transportation Systems, Inc. v. Union Pa- cific Railroad Co.</i> , 606 F.2d 934 (10th Cir. 1979) -----	6
<i>ETSI Pipeline Project v. Missouri</i> , 107 S. Ct. 1346 (1987) -----	5
<i>Federal Prescription Service, Inc. v. American Pharmaceutical Ass'n</i> , 663 F.2d 253 (D.C. Cir. 1981), <i>cert. denied</i> , 455 U.S. 928 (1982) -----	11, 19
<i>First American Title Co. v. South Dakota Land Title Ass'n</i> , 714 F.2d 1439 (8th Cir. 1983), <i>cert. denied</i> , 464 U.S. 1042 (1984) -----	11
<i>Forro Precision, Inc. v. IBM Corp.</i> , 673 F.2d 1045 (9th Cir. 1982) -----	17

## TABLE OF AUTHORITIES—Continued

	Page
<i>Franchise Realty Interstate Corp. v. San Francisco Local Joint Executive Board</i> , 542 F.2d 1076 (9th Cir. 1976), <i>cert. denied</i> , 430 U.S. 940 (1977) ----	11
<i>George Moore Ice Cream Co. v. Rose</i> , 289 U.S. 373 (1933) -----	15
<i>Gillespie v. United States Steel Corp.</i> , 379 U.S. 148 (1964) -----	25
<i>Greenwood Utilities Commission v. Mississippi Power Co.</i> , 751 F.2d 1484 (5th Cir. 1985) --	11, 12-13, 23
<i>Grip-Pak, Inc. v. Illinois Tool Works, Inc.</i> , 694 F.2d 466 (7th Cir. 1982), <i>cert. denied</i> , 461 U.S. 958 (1983) -----	19, 21
<i>Harman v. Valley National Bank</i> , 339 F.2d 564 (9th Cir. 1964) -----	17
<i>Hospital Bldg. Co. v. Trustees of Rex Hospital</i> , 691 F.2d 678 (4th Cir. 1982), <i>cert. denied</i> , 464 U.S. 904 (1983) -----	19
<i>Hydro-Tech Corp. v. Sundstrand Corp.</i> , 673 F.2d 1171 (10th Cir. 1982) -----	19
<i>In re Burlington Northern, Inc.</i> , 822 F.2d 518 (5th Cir. 1987) -----	<i>passim</i>
<i>Landmarks Holding Corp. v. Bermant</i> , 664 F.2d 891 (2d Cir. 1981) -----	19
<i>Lindsey v. Normet</i> , 405 U.S. 56 (1972) -----	15
<i>Litton Systems, Inc. v. AT&amp;T</i> , 700 F.2d 785 (2d Cir. 1983), <i>cert. denied</i> , 464 U.S. 1073 (1984) --	19
<i>McDonald v. Smith</i> , 472 U.S. 479 (1985) -----	20
<i>Missouri v. Andrews</i> , 586 F. Supp. 1268 (D. Neb. 1984), <i>aff'd</i> , 787 F.2d 270 (8th Cir. 1986), <i>cert. granted</i> , 107 S. Ct. 1346 (1987) -----	5, 16, 18
<i>New York Times Co. v. Sullivan</i> , 376 U.S. 254 (1964) -----	20
<i>Omni Resource Development Corp. v. Conoco, Inc.</i> , 739 F.2d 1412 (9th Cir. 1984) -----	19
<i>Ottensmeyer v. Chesapeake &amp; Potomac Telephone Co.</i> , 756 F.2d 986 (4th Cir. 1985) -----	17
<i>Otter Tail Power Co. v. United States</i> , 410 U.S. 366 (1973) -----	14



## TABLE OF AUTHORITIES—Continued

	Page
<i>Parker v. Brown</i> , 317 U.S. 341 (1943) .....	12
<i>Philadelphia Newspapers, Inc. v. Hepps</i> , 106 S. Ct. 1558 (1986) .....	20
<i>Razorback Ready Mix Concrete Co. v. Weaver</i> , 761 F.2d 484 (8th Cir. 1985) .....	19
<i>St. Joseph's Hospital, Inc. v. Hospital Corp. of America</i> , 795 F.2d 948 (11th Cir. 1986) .....	19
<i>Semke v. Enid Automobile Dealers Ass'n</i> , 456 F.2d 1361 (10th Cir. 1972) .....	17
<i>Sessions Tank Liners, Inc. v. Joor Manufacturing, Inc.</i> , 827 F.2d 458 (9th Cir. 1987) .....	11
<i>United Mine Workers v. Pennington</i> , 381 U.S. 657 (1965) .....	<i>passim</i>
<i>United States v. General Motors Corp.</i> , 323 U.S. 373 (1945) .....	25
<i>United States v. Mitchell</i> , 463 U.S. 206 (1983) .....	26
<i>Vendo Co. v. Lektro-Vend Corp.</i> , 433 U.S. 623 (1977) .....	11
<i>Westmac, Inc. v. Smith</i> , 797 F.2d 313 (6th Cir. 1986), <i>cert. denied</i> , 107 S.Ct. 885 (1987) .....	19
<i>Statutes:</i>	
15 U.S.C. § 1 (1982) .....	2
28 U.S.C. § 1254(1) (1982) .....	2
28 U.S.C. § 1651(a) (1982) .....	3
<i>Articles and Treatises:</i>	
P. Areeda & H. Hovenkamp, <i>Antitrust Law</i> (1986 Supp.) .....	<i>passim</i>
Balmer, <i>Sham Litigation and the Antitrust Laws</i> , 29 Buffalo L. Rev. 39 (1980) .....	12
R. Bork, <i>The Antitrust Paradox</i> (1978) .....	21
Fischel, <i>Antitrust Liability for Attempts to Influ- ence Government Action: The Basis and Limits of the Noerr-Pennington Doctrine</i> , 45 U. Chi. L. Rev. 80 (1977) .....	22
Handler & DeSevo, <i>The Noerr Doctrine and its Sham Exception</i> , 6 Cardozo L. Rev. 1 (1984) .....	<i>passim</i>
Hurwitz, <i>Abuse of Governmental Processes, the First Amendment, and the Boundaries of Noerr</i> , 74 Geo. L.J. 65 (1985) .....	21



IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1987

---

No. 87-

---

UNION PACIFIC RAILROAD COMPANY,  
UNION PACIFIC CORPORATION,  
MISSOURI PACIFIC RAILROAD COMPANY,  
KANSAS CITY SOUTHERN INDUSTRIES, INC.,  
KANSAS CITY SOUTHERN RAILWAY COMPANY,  
BURLINGTON NORTHERN, INC.,  
BURLINGTON NORTHERN RAILROAD COMPANY, AND  
CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY, -

*Petitioners,*

v.

ENERGY TRANSPORTATION SYSTEMS, INC., AND  
ETSI PIPELINE PROJECT, A JOINT VENTURE, *et al.*,  
*Respondents.*

---

**PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT**

---

Petitioners seek a writ of certiorari to review the decision of the United States Court of Appeals for the Fifth Circuit in its case No. 87-2177, *In re Burlington Northern, Inc.*, 822 F.2d 518 (5th Cir. 1987).

**OPINIONS BELOW**

The opinions of the court of appeals, which are reported at 822 F.2d 518, are reproduced at Appendix A, pp. 1a-33a. The order of the court of appeals denying rehearing en banc and panel rehearing is reproduced at Appendix D, pp. 84a-85a. The initial memorandum

opinion and order of the district court, which was vacated pursuant to the court of appeals' writ of mandamus, is not reported; it is reproduced at Appendix B, pp. 34a-58a. The district court's post-mandamus findings of fact, conclusions of law and order, which are not reported, are reproduced at Appendix F, pp. 87a-103a.

### **JURISDICTION**

The court of appeals conditionally granted the writ of mandamus on July 14, 1987. By order dated August 12, 1987, the court of appeals denied petitioners' timely suggestion for rehearing en banc and declined to grant panel rehearing. App. D, pp. 84a-85a. This Court's jurisdiction is invoked pursuant to 28 U.S.C. § 1254(1) (1982).

### **CONSTITUTIONAL PROVISIONS AND STATUTE INVOLVED**

The first and fifth amendments of the United States Constitution and Section 1 of the Sherman Act, 15 U.S.C. § 1 (1982), are set forth in Appendix J, pp. 212a-213a.

### **STATEMENT OF THE CASE**

1. Petitioners, all western coal-hauling railroads, are defendants in an antitrust suit pending in the United States District Court for the Eastern District of Texas. Respondents, plaintiffs below, are a consortium of pipeline promoters and two of their potential customers. Respondents, together seeking damages of nearly \$10 billion (after trebling), allege that the railroads conspired to prevent, through "sham" litigation and other means, construction of an 1,800-mile underground pipeline proposed to transport coal slurry (a liquid mixture of coal powder and water) from mines in Wyoming to electric utilities in Arkansas and Texas.

On February 13, 1987, the district court entered an order below requiring the production of several thousand documents in the railroads' files for which attorney-client

privilege and attorney work product protection had been claimed. The district court's decision rested upon an exception to the attorney-client privilege—the “crime-fraud” exception—which it invoked even though the railroads’ alleged “crime” was petitioning conduct presumptively protected—and, in some cases, conclusively protected—by the first amendment and the *Noerr-Pennington* doctrine.

The railroads, pursuant to 28 U.S.C. § 1651(a), sought from the United States Court of Appeals for the Fifth Circuit a writ of mandamus requiring the district court to vacate its order on the ground that the order was clearly erroneous and because it threatened the railroads with irreparable injury. The court of appeals recognized “the exceptional circumstances” making mandamus review appropriate, including the “important and potentially far-reaching” impact of the issues presented. App. A, p. 6a. That court held, on July 14, 1987, that the district court had not made a “proper factual determination that the individual petitioning activities in which the railroads were engaged were sham,” and it directed the district court to vacate its order. App. A, p. 30a. All three members of the panel—Judges Brown, Reavley and Jolly—concurred in the result.

The panel members disagreed as to the legal standards that should govern the district court's further consideration of the petitioning conduct challenged by plaintiffs as sham. Judges Reavley and Brown held that the reasonableness of the position advanced in the challenged litigation need not even be considered in evaluating claims of sham litigation. Under the majority's novel test, petitioning would violate the antitrust laws “[1] if the litigation was undertaken without a genuine desire for judicial relief as a significant motivating factor, or [2] if there was no reasonable expectation of judicial relief, or [3] if there was no reasonable basis for party standing.” App. A, pp. 29a-30a (emphasis added).

Thus, even if challenged litigation were reasonably based or successful, the majority would require the district court—and ultimately the jury—to undertake a factual inquiry into the antitrust defendant's subjective intent in bringing (or defending) the challenged suit, as well as a collateral assessment of its standing in that suit. The majority concluded that the test would apply where the antitrust defendant had been a plaintiff in a successful suit, or had assisted the actual litigant—here, a State Attorney General—in prosecuting a successful suit, or had merely defended itself in a suit brought by its competitor.

Judge Jolly, who concurred in much of the majority's opinion and its result, dissented from the majority's holding that a lawsuit “grounded upon a reasonable basis in fact and law may constitute a sham.” App. A, p. 33a. He would have held that a “successful lawsuit is not, and cannot be, constitutionally speaking, a sham upon the courts; neither can any lawsuit unless it is *baseless*.” *Id.* at 31a (emphasis in original). Judge Jolly recognized that this principle had been established in numerous cases decided under the *Noerr-Pennington* doctrine and had recently been confirmed by this Court in *Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731, 744 (1983).<sup>1</sup>

Citing the three-part test of the majority below, but relying *only* on the test involving defendants' subjective intent, the district court found on remand that *all* of the challenged proceedings—including those in which the railroads had been successful, those in which the railroads

---

<sup>1</sup> The district court's initial memorandum opinion did not reach the legal issue that later divided the court of appeals panel. However, the recommended opinion submitted to the district court by Special Master John F. Sutton, former Dean of the University of Texas Law School, addressed that issue squarely. Citing precedent as well as respected academic authorities, Dean Sutton determined that “[b]y definition, litigation judicially found to be meritorious is not and cannot be a sham.” App. C, p. 77a.

had been defendants, and one in which a railroad had assisted a State Attorney General in prosecuting a successful suit—were sham litigation, and it once again ordered wholesale production of thousands of attorney-client documents. App. F. Petitioners have sought supplemental mandamus relief in the court of appeals on the ground that the district court's October 2, 1987, order fails in several respects to comply with the appellate court's writ of mandamus. *In re Burlington Northern, Inc., et al.*, No. 87-6115 (petition filed October 20, 1987). That petition is still pending.<sup>2</sup>

2. The litigation found by the district court to be "sham" includes two successful, consolidated challenges to the federal contract by which the ETSI plaintiffs had sought to obtain water from a Missouri River reservoir for use in their proposed pipeline. The district court correctly recognized in its initial opinion below that the "[r]ailroads were successful in [that] litigation." App. B, at 54a, n.56. In May 1984, the United States District Court for the District of Nebraska declared the water contract unlawful and permanently enjoined its performance. *Missouri v. Andrews*, 586 F. Supp. 1268 (D. Neb. 1984). That decision was affirmed by the Eighth Circuit. 787 F.2d 270 (8th Cir. 1986). Despite the fact that it had formally terminated the pipeline project in July 1984, ETSI sought en banc consideration and then review by this Court of the Eighth Circuit decision. This Court granted certiorari and will hear argument in the case this Term. See *ETSI Pipeline Project v. Missouri*, 107 S. Ct. 1346 (1987) (No. 86-939) (granting certiorari).

Two of the railroad defendants below participated in the successful *Andrews* lawsuits. Petitioner Kansas

---

<sup>2</sup> The district court granted petitioners' request to stay the effectiveness of its October 2, 1987, document production order pending disposition of the supplemental mandamus petition, but declined to extend the stay pending disposition of this petition for certiorari. App. G, pp. 104a-105a.



City Southern Railway and several public interest groups brought one of the *Andrews* suits.<sup>3</sup> Petitioner Union Pacific Railroad was indirectly involved in the companion *Andrews* suit that was brought by the States of Missouri, Nebraska and Iowa, downstream states dependent upon the Missouri River water that would have been diverted to ETSI's pipeline. At the request of Nebraska's Attorney General, Union Pacific, through its outside counsel Covington & Burling, provided Nebraska with legal research and drafting assistance on issues of federal law raised by the ETSI water contract.

The litigation found by the district court to be sham also includes the railroads' *defense* of about 60 lawsuits brought against them by the ETSI plaintiffs during the late 1970s. Each of those lawsuits sought, among other things, judicial confirmation of ETSI's right to construct its proposed pipeline beneath a specific location on a railroad's right-of-way. The central issues in the cases were the nature and quality of ETSI's property interests as against those of the railroads, and the propriety of the broad relief sought by ETSI. Several of the suits were litigated, yielding reported decisions.<sup>4</sup> In the vast majority, however, the defendant railroads simply filed an answer and, without taking any discovery or filing any motions, agreed to a stipulated judgment that recognized the superiority of the railroad's property interest and provided ETSI with more limited relief than that sought in its complaint. App. C, pp. 73a-74a.

\* \* \* \*

Relying on the test prescribed by the court of appeals, the district court recently concluded, without explanation

---

<sup>3</sup> While KCS' standing was challenged in *Andrews*, the district court did not finally resolve that issue. Thus, KCS remained a party to the litigation, and it has participated as a respondent in the review proceedings before the Eighth Circuit and this Court.

<sup>4</sup> See, e.g., *Energy Transportation Systems, Inc. v. Union Pacific R.R.*, 619 F.2d 696 (8th Cir. 1980); *Energy Transportation Systems, Inc. v. Union Pacific R.R.*, 606 F.2d 934 (10th Cir. 1979).



or citation to the evidence, that the railroads had lacked a “genuine desire for judicial relief” in each of the challenged proceedings. The trial court expressly declined to consider the objective reasonableness of the railroads’ position in any proceeding or the interests of any railroad that afforded a reasonable basis for party standing. App. F, pp. 88a, 92a. Nonetheless, on the basis of the subjective prong of the court of appeals’ three-part test, the district court held the railroads’ participation in those cases to be a “crime or fraud” warranting abrogation of the attorney-client privilege, and ordered the release of thousands of attorney-client documents. *Id.* at 94a-95a.

### REASONS FOR GRANTING THE PETITION

The majority below held that participation in litigation would violate the antitrust laws if the litigant lacked a genuine desire for judicial relief, regardless of the objective reasonableness of the litigant’s position or conduct in the challenged proceeding. The majority concluded that this test should be applied when the antitrust defendant had been successful in the challenged suit, when the antitrust defendant had been a defendant in the challenged suit, or when the antitrust defendant’s participation in litigation consisted only of assisting a sovereign State government in prosecuting a successful suit.

The decision of the court of appeals establishes an unprecedented legal standard that conflicts in several important respects with the decisions of other appellate courts regarding the extent of protection conferred under the *Noerr-Pennington* doctrine. The standard is inconsistent with this Court’s conclusion in *Bill Johnson’s Restaurants, Inc. v. NLRB*, 461 U.S. 731 (1983), that litigants should not be deprived of first amendment protection unless the suits they bring are baseless. The decision below, which is likely to chill the first amendment rights of litigants in many future cases and to create numerous practical problems for courts and litigants, reflects the significant

confusion among the lower courts regarding the circumstances in which petitioning conduct may be subject to antitrust liability.

In the quarter century since this Court first articulated the *Noerr-Pennington* doctrine, several hundred reported decisions of the lower federal courts have addressed the application of the doctrine to petitioning conduct challenged under the antitrust laws. Unfortunately, the lower courts have had little guidance from this Court regarding the scope of the "sham" exception to the doctrine, under which *Noerr-Pennington* protection may be lost for petitioning conduct found to be "nothing more than an attempt to interfere directly with the business relationships of a competitor." *Noerr*, 365 U.S. at 144.<sup>5</sup>

Lacking guidance about the content and scope of the sham exception, the lower courts have fashioned several different and inconsistent tests by which to evaluate challenged petitioning conduct. Most courts have applied an *objective* test, seeking to assess the antitrust defendant's conduct by weighing the reasonableness of its position in the challenged litigation. Under the objective test, which is endorsed by Professor Handler, Professor Areeda and other distinguished antitrust commentators, successful petitioning conduct, absent fraud upon or collusion with the court, could not be classified as sham as a matter of law.

---

<sup>5</sup> In contrast, this Court has provided substantial guidance concerning the forums to which that protection applies. See, e.g., *Eastern Railroad Presidents' Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961) (legislatures); *United Mine Workers v. Pennington*, 381 U.S. 657 (1965) (executive officials); *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972) (administrative agencies and courts).

In addition, this Court recently agreed to review a *Noerr-Pennington* case presenting a similar "forum" issue: Whether a trade association that formulates "model codes" for submission to state governments is a forum to which *Noerr-Pennington* protection applies. *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 108 S.Ct. 65 (1987) (No. 87-157).

Other courts have adopted a *subjective* test, focusing on the “genuineness” of the antitrust defendant’s desire for judicial relief in the challenged suit. The subjective test, which often confronts the antitrust defendant with a choice between defending its conduct on the merits and maintaining its attorney-client privilege, virtually precludes summary disposition of even frivolous antitrust challenges to petitioning conduct.<sup>6</sup>

The court below, rather than selecting one of these tests, held that the antitrust defendant must satisfy *both* standards—and also prove a reasonable basis for party standing in the challenged suit—in order to receive the protection afforded by the *Noerr-Pennington* doctrine. That decision conflicts directly with the holdings of other Circuits and prior decisions of this Court, all of which would recognize *Noerr-Pennington* protection for litigation conduct founded upon a reasonable expectation of judicial relief. Moreover, the court of appeals’ three-part test chills protected first amendment rights, unnecessarily requires relitigation of prior disputes in an antitrust forum, and invites retaliatory antitrust suits and counterclaims that would not be subject to summary disposition.

There is an extensive and increasing quantity of litigation in the lower courts involving the sham exception to the *Noerr-Pennington* doctrine.<sup>7</sup> This case presents an opportunity for this Court to resolve direct and widespread conflicts and to provide substantive and definitive guidance to the lower courts on important issues of antitrust and constitutional law.

---

<sup>6</sup> Even courts that have adopted a subjective test would protect successful litigation from antitrust liability. See p. 11, below.

<sup>7</sup> See generally Handler & DeSevo, *The Noerr Doctrine and its Sham Exception*, 6 Cardozo L. Rev. 1, 30 (1984). Professor Handler’s article, which contains an extensive catalogue of *Noerr-Pennington* cases through mid-1984, is reproduced as Appendix I, pp. 107a *et seq.*

# **I. THE OPINION OF THE PANEL MAJORITY CONFLICTS WITH VIRTUALLY EVERY POST-*NOERR* APPELLATE DECISION ADDRESSING THE QUESTIONS PRESENTED FOR REVIEW.**

## **A. Successful Litigation.**

In the 26 years since the *Noerr-Pennington* doctrine was announced, no court of which we are aware (other than the lower courts in this case) has ever held that, in the absence of fraud upon the court or collusion with the judge, successful litigation could violate the antitrust laws.<sup>8</sup> That record is hardly surprising. As Professor Handler recently wrote, it "should be self-evident that a suit cannot, in any sense of the word, be 'sham' where it has been found meritorious." Handler, *supra*, at 30 (App. I, pp. 152a-153a); *accord*, P. Areeda & H. Hovenkamp, *Antitrust Law* 11 (1986 Supp.) ("successful judicial action is not a 'sham,' regardless of the motive of the plaintiff in [the challenged] action.").<sup>9</sup>

The majority below, however, held that "objective reasonableness—as manifested by the court's grant of relief on the claim"—should not "substitute for proper consideration of any evidence the plaintiff might provide of the [successful] petitioner's motivation." App. A, pp. 19a, 18a. This holding directly conflicts with decisions of

<sup>8</sup> See, e.g., *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1257 n.17 (9th Cir. 1982) ("[W]e have found no case directly supporting the proposition that the bringing of meritorious suits can constitute sham suits violative of the antitrust laws.").

<sup>9</sup> Professor Areeda adopts that principle as "a strong presumption, rather than a categorical rule" (*id.* at 13) to accommodate three specific exceptions, none of which is relevant here: (1) serious discovery abuses in the successful proceeding (*id.*); (2) "collusion" between the successful litigant and the judge (*id.*); and (3) a successful suit known by the antitrust defendant to be wrongly decided (*id.*), a possibility that Areeda has characterized both as "a weak foundation on which to build a scheme of antitrust liability" and as virtually "impossible" (*id.* at 18).

at least four other Circuits on the same issue. The Third Circuit, for example, has held that "success on the merits" makes it "impossible . . . to prove bad faith." *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 161 (3d Cir. 1984). The Eighth, Ninth and District of Columbia Circuit Courts are in accord. *E.g.*, *First American Title Co. v. South Dakota Land Title Ass'n*, 714 F.2d 1439, 1447 (8th Cir. 1983) (sham litigation involves "baseless claims"), *cert. denied*, 464 U.S. 1042 (1984); *Federal Prescription Service, Inc. v. American Pharmaceutical Ass'n*, 663 F.2d 253, 265 (D.C. Cir. 1981), *cert. denied*, 455 U.S. 928 (1982); *Franchise Realty Interstate Corp. v. San Francisco Local Joint Executive Board*, 542 F.2d 1076, 1079 (9th Cir. 1976), *cert. denied*, 430 U.S. 940 (1977).<sup>10</sup>

Without exception, every other appellate court to address the issue has held that, in the absence of fraud or collusion with the court, successful litigation cannot be a sham.<sup>11</sup> These holdings reflect the principle, recently reaffirmed by this Court, that litigation must be "baseless" before its constitutional protection may be revoked. In *Bill Johnson's Restaurants*, this Court observed that

---

<sup>10</sup> Cf. *Sessions Tank Liners, Inc. v. Joor Manufacturing, Inc.*, 827 F.2d 458, 465 n.5 (9th Cir. 1987) (success "not dispositive" if there is evidence of fraud or misrepresentations to the court). Even the Fifth Circuit previously had held that successful petitioning efforts cannot be a sham. Thus, in *Greenwood Utilities Comm'n v. Mississippi Power Co.*, 751 F.2d 1484, 1500 (5th Cir. 1985), Judge Higginbotham observed that "in the absence of proof of a conspiracy with government officials, when [the antitrust] defendant succeeds, as here, in persuading the government to adopt his position, his petitioning conduct should not be considered sham activity."

<sup>11</sup> Of course, a successful suit would not immunize unlawful commercial conduct, if any, that the suit sought to enforce. See *Vendo Co. v. Lektro-Vend Corp.*, 433 U.S. 623, 662 (1977) (Stevens, J., dissenting) ("meritorious" suits to enforce "invalid patents, price-fixing agreements, and other illegal covenants in restraint of trade" do not immunize the antecedent unlawful conduct).

"sham litigation by definition does not involve a bona fide grievance." 461 U.S. at 743, quoting Balmer, *Sham Litigation and the Antitrust Laws*, 29 Buffalo L. Rev. 39, 60 (1980). Justice White's opinion for a unanimous Court distinguished "meritorious action," which is lawful, from "baseless litigation [which] is not immunized by the First Amendment right to petition." *Id.* The Court held that improper "motive and lack of reasonable basis are both essential prerequisites" to abrogating the constitutional protection for petitioning conduct. *Id.* at 748 (emphasis added).

*Bill Johnson's Restaurants* was not itself an antitrust case. However, the Court expressly recognized that it was "following" the course it had adopted with regard to the "'mere sham' exception" in the antitrust context. *Id.* at 744. Moreover, the principles articulated by this Court in *Bill Johnson's Restaurants* are rooted firmly in the history and purpose of the Sherman Act.

Reductions in competition resulting from *successful* litigation are caused by actions of the government—here, for example, an injunction barring enforcement of a contract—not by actions of the antitrust defendants. This Court has consistently held that "where a restraint upon trade . . . is the result of valid governmental action, as opposed to private action, no violation of the Act can be made out." *Noerr*, 365 U.S. at 136, citing *Parker v. Brown*, 317 U.S. 341, 351-52 (1943). If the government-imposed restraint is lawful, it would be anomalous to hold that petitioning conduct seeking such a restraint is unlawful. There is thus a definitive basis—in the Sherman Act as well as the first amendment—for refusing to hold successful litigation unlawful.<sup>12</sup>

<sup>12</sup> "Simply put, *Noerr* cannot be harmonized with a holding that nonbaseless claims can be classified as sham merely because their assertion rests upon an improper motive." Handler, *supra*, at 40 (App. I, p. 168a). One reason, of course, is that "First Amendment petitioning privileges would indeed be hollow if upon achieving a petitioned-for end the petitioner were then subjected to



The holding of the majority below conflicts with decisions of other appellate courts that have reached the issue of successful petitioning, as well as the views of the leading antitrust commentators. This conflict, on an important issue of antitrust law and first amendment doctrine, alone presents a compelling reason for issuance of a writ of certiorari.<sup>13</sup>

### B. Defense of Litigation.

The court below unequivocally refused to recognize any difference, for *Noerr-Pennington* purposes, between the prosecution and the defense of litigation. It held: "We perceive no reason to apply any different standard to defending lawsuits than to initiating them." App. A, p. 27a. This ruling conflicts with decisions of the Seventh Circuit and this Court. Moreover, it would place unacceptable burdens on the constitutional rights of defendants.

The Seventh Circuit, in contrast to the decision below, has squarely held that the defense of litigation cannot form the basis of an antitrust violation. *Brunswick Corp. v. Riegel Textile Corp.*, 752 F.2d 261 (7th Cir. 1984), *cert. denied*, 472 U.S. 1018 (1985). In *Riegel Textile*, the plaintiff asserted an antitrust violation based upon the defendant's allegedly fraudulent and groundless

---

antitrust liability for his success." *Greenwood Utilities*, 751 F.2d at 1505. The losing party, moreover, should not be permitted "to retry prior disputes in an antitrust forum." P. Areeda, *supra*, at 32.

<sup>13</sup> Even if this Court were to reverse the Eighth Circuit's decision in the pending water rights litigation, see p. 5, above, this issue would not be moot. First, the railroads were successful in several of the other proceedings claimed to involve sham conduct. App. C, pp. 73a-74a. Moreover, "if a litigant succeeds in convincing a trial or appellate court that its case is meritorious then, regardless of the ultimate resolution of the action, *Noerr* applies." Handler, *supra*, at 32 (App. I, p. 156a); see also P. Areeda, *supra*, at 13.

defenses in a separate patent interference proceeding. 752 F.2d at 264, 271-72. The court flatly rejected the claim:

“[W]hile harassing competitors by litigation that can fairly be described as malicious prosecution or abuse of process can violate the antitrust laws, we are pointed to no case where simply defending oneself in a proceeding brought by another has been held to be actionable . . . . You cannot start a suit, as [the plaintiff] in effect did here, and then sue the defendant [in a separate antitrust lawsuit] for refusing to default.”

*Id.* at 271-72 (citation omitted). The Seventh Circuit affirmed dismissal of the antitrust suit on the pleadings, a fact that underlines the stark nature of the conflict created by the holding below.<sup>14</sup>

Moreover, this Court’s decisions have strongly suggested that sham conduct necessarily involves offensive, voluntary petitioning undertaken to harass a competitor. Thus, in *California Motor Transport*, the Court described the alleged conduct as “concerted action . . . to *institute* state and federal proceedings.” 404 U.S. at 509 (emphasis added). In *Otter Tail Power Co. v. United States*, 410 U.S. 366, 372 (1973) (emphasis added), the defendant had “*instituted* or sponsored [allegedly sham] litigation.” Recently, in *Bill Johnson’s Restaurants*, the Court again

---

<sup>14</sup> The court of appeals below attempted to harmonize its decision with *Riegel Textile* by quoting with approval the Seventh Circuit’s observation that “refusing to default” could not be a basis for antitrust liability. App. A, p. 27a. Under the test prescribed below, antitrust scrutiny apparently begins with the first affirmative action taken to defend the litigation subsequently challenged as sham. Thus, relying on the decision below, the district court in this case recently found that the railroads’ “defenses” of the crossing rights cases, which in most instances simply involved filing an answer and negotiating a stipulated judgment, were unlawful. App. F, p. 90a. See p. 6, above. Such a result would not have been possible in the Seventh Circuit.



characterized sham litigation as “the *filing* of a lawsuit . . . for harassment purposes.” 461 U.S. at 741 (emphasis added). In short, sham litigation is *offensive* litigation.

The court below failed to recognize the fundamental differences between initiating and defending a lawsuit. Defensive litigation is by its very nature passive or reactive. The defendant lacks control over the timing, forum, issues, and other key aspects of litigation. For these reasons, the defense of litigation simply does not implicate the antitrust concerns that warrant scrutiny of a lawsuit’s initiation, which itself may threaten competition.

In the defensive setting, any competitive concerns would flow principally, if not entirely, from some commercial conduct antecedent to the litigation (here, an alleged group boycott)—conduct that is fully subject to the antitrust laws and that may be challenged directly. If the antecedent commercial conduct had diminished competition, the plaintiff presumably would have an antitrust remedy and the public interest would be protected. There would be no need to subject the defense of any resulting litigation to antitrust scrutiny and potential treble damage liability. If abuses occur in the defense of a suit, there are other remedies, including default, contempt and Rule 11 sanctions, to protect the judicial system and the plaintiff. See *generally*, Handler, *supra*, at 11, 14 (App. I, at 122a-123a, 126a-127a).

Even if a potential threat to competition were posed by defending oneself in litigation, that threat could not possibly outweigh the attendant burdens on constitutional rights resulting from the imposition of antitrust liability on the defense of litigation. Such liability would interfere with both first amendment rights to petition and fifth amendment due process guarantees of a defendant’s right “to present every available defense.” *Lindsey v. Normet*, 405 U.S. 56, 66 (1972), quoting *American Surety Co. v. Baldwin*, 287 U.S. 156, 168 (1932)

(Brandeis, J.). *Accord, George Moore Ice Cream Co. v. Rose*, 289 U.S. 373, 384 (1933).

The proposed new rule of antitrust law, which takes no regard of the reasonableness of the defenses presented in the litigation challenged as sham, burdens the exercise of constitutional rights and fails to further any competitive goals. It is simply unjustified. Review by this Court is warranted to resolve the conflict between the Fifth and Seventh Circuits, and to reaffirm the fundamental difference between the defense and the prosecution of litigation in the context of the *Noerr-Pennington* doctrine.

### C. Assisting Government Litigation.

The majority below held that petitioner Union Pacific Railroad was subject to antitrust liability for providing the State of Nebraska with research and drafting assistance in connection with a suit filed by Nebraska in which ETSI had an interest. The majority concluded that if a litigant lacked either "the right to petition the courts directly" or the appropriate subjective intent, it could not claim *Noerr* protection for "funding, encouraging and assisting the lawsuits of others." App. A. p. 26a.<sup>15</sup> Even if this general principle were appropriate in some circumstances, it clearly does not and should not apply when the lawsuits "fund[ed], encourag[ed] or assist[ed]" are those of a sovereign State government.

In the quarter century since the *Noerr-Pennington* doctrine was announced, there has *never* before been a case in which assisting a State government in litigation was held to be a violation of the antitrust laws. That is not surprising. *Noerr* itself held that "no

---

<sup>15</sup> Relying on that holding and notwithstanding respondents' concession that Union Pacific would have had standing to bring the claims successfully asserted by the State of Nebraska in *Missouri v. Andrews*, the district court held that the litigation assistance afforded the State by Union Pacific was a "sham." App. F, pp. 90a-91a, 93a.

violation of the [Sherman] Act can be predicated upon mere attempts to influence the . . . enforcement of laws" or upon efforts "to persuade . . . the executive to take particular action with respect to a law." 365 U.S. at 135, 136. In every prior instance in which an antitrust defendant had helped the government take action against a competitor, the federal courts have held the defendant's actions immune from liability; none made an inquiry into the defendant's "standing" or "subjective intent."

The holding below conflicts directly with decisions of the Fourth, Ninth and Tenth Circuits. In the most recent example, the Fourth Circuit affirmed summary judgment for an antitrust defendant that had informed a State's Attorney of possible fraud by a competitor, provided the State with the results of its own investigation, and assisted the State police in searching the competitor's premises. *Ottensmeyer v. Chesapeake & Potomac Telephone Co.*, 756 F.2d 986 (4th Cir. 1985). Holding that such efforts to influence the enforcement of laws against a competitor were protected by *Noerr-Pennington*, the court squarely rejected the plaintiff's antitrust claims. *Id.* at 994. The court noted that independent police confirmation of the allegations "effectively nullified any allegations of a sham." *Id.*

The Ninth Circuit has twice reached the same result where a private party assisted a State Attorney General's action against a competitor. *Forro Precision, Inc. v. IBM Corp.*, 673 F.2d 1045, 1060 (9th Cir. 1982); *Harman v. Valley National Bank*, 339 F.2d 564, 566 (9th Cir. 1964). The Tenth Circuit is in accord, having held that efforts to persuade a state official to bring suit against a competitor are "exempt from the antitrust laws." *Semke v. Enid Automobile Dealers Ass'n*, 456 F.2d 1361, 1365-66 (10th Cir. 1972). See also *Handler*, *supra*, at 18 n.74 (App. I, p. 134a).

Under the holdings of the Fourth, Ninth and Tenth Circuit Courts and this Court's holding in *Noerr*, Union

Pacific's assistance to the State of Nebraska in prosecuting *Andrews* would clearly be protected. That assistance—research and drafting on issues of federal water law—is at the very core of *Noerr* protection, which is intended to ensure that the Sherman Act does not “deprive the government of a valuable source of information.” *Noerr*, 365 U.S. at 139. Because two federal courts have independently endorsed the position advanced by the State with the support of Union Pacific (see pp. 5-6, above), *Noerr* protection is particularly appropriate in circumstances such as those presented here. There is no conceivable rationale for holding unlawful or penalizing litigation assistance to a government party—especially when it leads to a successful result.

This Court should grant certiorari to resolve the conflict between the decision below, on the one hand, and decisions of this Court and three other Circuits, on the other, and to eliminate the chilling effect of the decision below on cooperation with government officials.

#### **D. Appropriate Test For Sham Litigation.**

The court of appeals below adopted a new rule of law that allowed the district court to find, without regard to the reasonableness of petitioners' litigation position and conduct, that their petitioning was a sham not entitled to *Noerr-Pennington* protection. Under the holdings of at least six other courts of appeals, petitioners' participation in virtually all of the proceedings found below to be “sham” would have been held immune from antitrust liability.

The appellate courts are divided and confused over whether allegedly sham litigation should be evaluated by a “subjective” test of the antitrust defendant's motives, such as that used by the district court below, or an “objective” standard which, under the test prescribed by the court of appeals below, need not even be considered. The Third, Sixth, Eighth, Tenth, Eleventh and District of Columbia Circuits have focused on *objective* proof

addressing the reasonableness of the antitrust defendant's claim and conduct in the challenged proceeding.<sup>16</sup> The Fourth, Fifth and Seventh Circuits, in contrast, have focused on *subjective* proof addressing the sincerity of the antitrust defendant's desire for judicial relief.<sup>17</sup> The case law in the Second Circuit<sup>18</sup> and Ninth Circuit<sup>19</sup> is either inconclusive or internally inconsistent on the issue.

---

<sup>16</sup> *Columbia Pictures Industries v. Redd Horne, Inc.*, 749 F.2d 154, 161 (3d Cir. 1984) ("impossible" to prove bad faith where antitrust defendant pressed "valid causes of action"); *Westmac, Inc. v. Smith*, 797 F.2d 313, 318 (6th Cir. 1986) (lawsuit raising a substantial legal issue is protected), *cert. denied*, 107 S. Ct. 885 (1987); *Razorback Ready Mix Concrete Co. v. Weaver*, 761 F.2d 484 (8th Cir. 1985) (litigation protected so long as it does not involve perjury, bribery, fraud, or clearly baseless conduct); *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171, 1177 (10th Cir. 1982) (litigation protected so long as not "abusive of the judicial processes"); *St. Joseph's Hospital, Inc. v. Hospital Corp. of America*, 795 F.2d 948, 955 (11th Cir. 1986) (misrepresentations are actionable, delaying tactics in litigation are not despite anticompetitive purpose); *Federal Prescription Service, Inc. v. American Pharmaceutical Ass'n*, 663 F.2d 253, 266 (D.C. Cir. 1981) (litigation protected so long as "not baseless or frivolous" and "abus[ive] of the judicial process"), *cert. denied*, 455 U.S. 928 (1982).

<sup>17</sup> *Hospital Bldg. Co. v. Trustees of Rex Hospital*, 691 F.2d 678, 688 (4th Cir. 1982) (focus on intent in bringing lawsuit), *cert. denied*, 464 U.S. 904 (1983); *Pet. App. A*, at 16a-17a (intent in filing lawsuit); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 472 (7th Cir. 1982) ("true purpose" of the litigation), *cert. denied*, 461 U.S. 958, 983 (1983).

<sup>18</sup> See *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891, 896-97 (2d Cir. 1981) (litigation with a reasonable basis entitled to protection); *Litton Systems, Inc. v. AT&T*, 700 F.2d 785, 810-12 (2d Cir. 1983) (focus on intent, but by resort to objective indicia), *cert. denied*, 464 U.S. 1073 (1984).

<sup>19</sup> See *Omni Resource Development Corp. v. Conoco, Inc.*, 739 F.2d 1412, 1414 (9th Cir. 1984) (focus on merits of claim in underlying suit); *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240, 1253-54 (9th Cir. 1982) (focus on genuineness of motives, as well as objective indicia of sham), *cert. denied*, 459 U.S. 1227 (1983).

Regardless of which test is used, many of the cases finding a sham (including the decision below) also conflict with this Court's unanimous decision in *Bill Johnson's Restaurants*, which held that improper "motive and lack of reasonable basis are *both* essential prerequisites" to abrogating the constitutional protection for petitioning conduct in an unfair labor practice proceeding. 461 U.S. at 748 (emphasis added). In other words, under the test prescribed by this Court in *Bill Johnson's Restaurants*, either objective proof of a reasonable basis for the challenged claim *or* subjective proof of a sincere desire for judicial relief would be sufficient to *preclude* liability for petitioning conduct.<sup>20</sup>

In contrast, the court below held that objective proof need not even be considered when assessing challenges to the constitutional protections afforded by *Noerr-Pennington*. The court of appeals' three-part disjunctive test, failure of any one part of which would abrogate first amendment protection, is inconsistent with the decisions of *every* appellate court that has addressed this issue. Moreover, as recognized in the partial dissent below (App. A, p. 31a), the panel majority's test is inconsistent with the approach of this Court in *Bill Johnson's Restaurants*—that if a lawsuit is not baseless, it is entitled to *Noerr-Pennington* protection.

The commentators, like the courts, are divided on this issue. Professor Areeda, for example, argues vigorously against a "subjective standard," which requires assessment of "a jumble of mixed impulses, even if we

---

<sup>20</sup> This Court has applied the same test to speech protected by the first amendment, holding that public figures must prove both improper motive (malice) and objective invalidity of the defaming statement (falsity) in order to recover on a libel claim. See *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964); *Philadelphia Newspapers, Inc. v. Hepps*, 106 S. Ct. 1558 (1986). See also *McDonald v. Smith*, 472 U.S. 479, 484 (1985) (citing *Bill Johnson's Restaurants* and *California Motor Transport* for the proposition that the petition clause does not grant immunity from liability for statements that are both malicious and baseless).



succeed in identifying the particular human being(s) whose intention is relevant." P. Areeda, *supra*, at 10-11. According to Areeda,

"[t]he critical issue in applying the sham exception [is] determining what constitutes an *objectively reasonable* invocation of governmental machinery."

*Id.* (emphasis added). Professor Handler is in accord:

"If . . . there is a reasonable basis for suit, then, as in *Noerr*, improper intent and extrinsic misconduct are irrelevant from an antitrust standpoint, though they may be punishable under other laws. That is an administratable doctrine."

Handler, *supra*, at 13 (App. I, p. 126a).

Judge Bork, in contrast, would focus on the litigant's subjective intent and, in the absence of fraud upon the court, would allow antitrust liability only if there were proof of a wrongful specific intent. R. Bork, *The Anti-trust Paradox* 357-59 (1978); see also *Grip-Pak*, 694 F.2d at 472 (Posner, J.) (the "difficulty of determining the true purpose is great but no more so than in many other areas of antitrust law"). See generally Hurwitz, *Abuse of Governmental Processes, the First Amendment, and the Boundaries of Noerr*, 74 Geo. L.J. 65, 98-99 (1985).

The conflict among the Circuits and the extensive confusion over the appropriate test to be applied have resulted in practical problems for the lower courts since Justice Douglas first hinted in *California Motor Transport* that antitrust violations might be premised on abuses of the judicial process. See 404 U.S. at 512.

"It is no wonder that the lower courts have been mystified by the Douglas dictum and have been at sea as to the proper weight to be attributed to the fact that litigations were unsuccessful or were tainted by conduct that our society does not and should not condone."

Handler, *supra*, at 12-13 (App. I, p. 125a); see also Fischel, *Antitrust Liability for Attempts to Influence Government Action: The Basis and Limits of the Noerr-Pennington Doctrine*, 45 U. Chi. L. Rev. 80, 104 (1977) ("The determination of whether petitioning activity is a sham . . . has been plagued by considerable confusion.").

The decision below, which combines various tests in an unprecedented manner, is a product of the confusion that has reigned in this area for decades. The decision, which subjects petitioners to liability for conduct that would be protected in other Circuits, presents the Court with a vehicle both to correct the error in this case and to resolve the confusion and conflicts in this important area of law.

## II. THE DECISION BELOW WILL HAVE SIGNIFICANT, ADVERSE PRACTICAL CONSEQUENCES IN FUTURE CASES.

The decision below is likely to have several important, adverse practical effects. It will clearly have a chilling effect on the exercise of first amendment rights. Companies with meritorious claims against competitors will be deterred from bringing suits, participating in administrative proceedings and even filing amicus briefs—not only by the broadened risk of antitrust liability but also by recognition that, in light of the *subjective* component of the test prescribed below, a retaliatory antitrust suit would probably not be subject to summary disposition. The latter factor, of course, will also add significantly to the burden imposed on the federal court system.<sup>21</sup>

Furthermore, such companies also face the prospect of being ordered (like petitioners in this case) to produce otherwise privileged documents when plaintiffs invoke the "crime-fraud" exception to the privilege. This prospect will surely discourage attorney-client communications

---

<sup>21</sup> The district court below denied the railroads' motion for partial summary judgment with regard to the successful *Andrews* litigation. App. H.



and generation of attorney work product where companies are engaged in disputes with their competitors.

Moreover, the majority's opinion will inhibit cooperation with federal, state and local officials who have authority to investigate, pursue or prosecute violations of law by a competitor. Application of the decision below to future cases "might unduly interfere with the proper functioning of government agencies, since the antitrust court would be reviewing government action outside the customary channels of judicial review." *Greenwood Utilities*, 751 F.2d at 1500.

Finally, each component of the new hybrid rule prescribed below would adversely affect litigants and the court system if it were imposed as a prerequisite for *Noerr-Pennington* protection. The objective component invites antitrust plaintiffs to relitigate issues that had been resolved in the challenged proceedings. Principles of judicial economy, comity, and common sense counsel strongly against allowing losing parties "to retry prior disputes in an antitrust forum." P. Areeda, *supra*, at 32. There is no reason to force antitrust courts and juries to resolve collateral attacks involving complex legal issues far removed from the policy objectives of the Sherman Act.

On the other hand, the subjective component of the test will be very difficult for the lower courts to administer.<sup>22</sup> A subjective test also may force the antitrust defendant, in order to defend its petitioning conduct on the merits, to waive its attorney-client privilege, an impermissible burden on the exercise of first amendment rights.

The holding of the panel majority below, which requires the antitrust defendant to offer *both* objective and subjective proof, therefore combines the worst features of each test in a manner that threatens (and in the

---

<sup>22</sup> See, e.g., P. Areeda, *supra*, at 10-11; Handler, *supra*, at 12-13 (App. I, p. 125a).

case below abrogates) both first amendment rights and the attorney-client privilege. In contrast, the test in *Bill Johnson's Restaurants*, which bases *Noerr-Pennington* protection on *either* the objective reasonableness of the defendant's position in the challenged suit *or* the sincerity of its desire for judicial relief, resolves this tension in a manner consistent with *Noerr*, the first amendment right to petition, and the goals of antitrust enforcement.

The serious problems discussed above are not limited to a mere handful of cases. There have been hundreds of *Noerr-Pennington* cases over the last quarter century, and the number has been increasing steadily. Professor Handler reports that there were as many *Noerr-Pennington* cases decided between 1980 and mid-1984 as there had been in the prior 20 years. Handler, *supra*, at 14 *et seq.* (App. I, p. 128a). And the recently reported cases suggest that the rate of increase is steadily growing. The decision below, if allowed to stand, surely will accelerate that trend.

### III. THE ISSUES PRESENTED WARRANT IMMEDIATE REVIEW BY THIS COURT.

That the issues presented have arisen before trial does not diminish the compelling need for immediate review by this Court. On the basis of the decision below, petitioners have been ordered to produce thousands of documents that would otherwise be protected by the attorney-client privilege. Unless the Court grants review at this stage, petitioners will be required to produce those documents—a result that could not be undone by review at a later time.

In granting the writ of mandamus below, the court of appeals recognized the "exceptional circumstances" warranting "immediate review" of the issues presented, including the issues' "important and potentially far-reaching" nature, the irreparable injury associated with erroneous disclosure of thousands of privileged documents,

and the fact that resolution of these issues will "likely have a determinative impact on the course of the case" below. App. A, p. 6a. The same circumstances warrant this Court's immediate review of the issues presented.

Particularly where denial of review would allow abrogation of the attorney-client privilege, the writ of certiorari has been issued whenever the questions presented independently warranted this Court's review. *E.g.*, *Commodity Futures Trading Comm'n v. Weintraub*, 471 U.S. 343 (1985); *Decker v. Harper & Row Publishers, Inc.*, 400 U.S. 348 (1971) (affirming by an equally divided court a writ of mandamus addressing attorney-client privilege issues).

This Court has also granted immediate review in similar circumstances when, as here, the questions presented were "fundamental to the further conduct of the case" or of substantial importance. See, *e.g.*, *McDonald v. Smith*, 472 U.S. 479, 482 (1985) (scope of immunity under the petition clause of the first amendment for expressing malicious falsehoods); *Gillespie v. United States Steel Corp.*, 379 U.S. 148, 153 (1964); *United States v. General Motors Corp.*, 323 U.S. 373, 377 (1945).

In the absence of immediate review, the court of appeals' erroneous standard will likely become the basis for jury instructions at the end of a very lengthy, costly and complex trial, which is scheduled to begin in the spring of 1988. Those "eventual costs . . . will certainly be less if [this Court] now pass[es] on the questions presented here rather than send[ing] the case back with those issues undecided." *Gillespie*, 379 U.S. at 153 (immediate review of mandamus decision sustaining pre-trial district court order). Finally, while arguably not as important as the other considerations warranting review, this case involves multi-billion dollar claims, a factor that this Court has not overlooked in evaluating whether to grant petitions for

certiorari in the past. See, e.g., *United States v. Mitchell*, 463 U.S. 206, 211 n.7 (1983) (citing \$100 million in claimed damages as among the considerations warranting review).

### CONCLUSION

Given the extensive and increasing quantity of litigation involving the "sham" exception to the *Noerr-Pennington* doctrine, the time is now ripe for this Court to provide substantive guidance on the exception's scope and content. This petition presents an extraordinary opportunity to do so. Each of the four questions presented addresses a conflict among the Circuits on an issue of substantial importance to both antitrust law and constitutional doctrine. Together they offer an opportunity to resolve issues of law that, in the absence of straightforward guidance from this Court, have confused and divided the lower courts and commentators for a quarter century. A writ should be issued to resolve all four questions presented.

Respectfully submitted,

B.J. BRADSHAW  
RICHARD N. CARRELL  
LAYNE E. KRUSE  
FULBRIGHT & JAWORSKI  
1301 McKinney Street  
Houston, TX 77010  
(713) 651-5151

HENRY P. SAILER  
GREGG H. LEVY \*  
MITCHELL F. DOLIN  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 662-6000

JOHN G. BISSELL  
STRONG, PIPKIN, NELSON &  
BISSELL  
595 Orleans Street  
Beaumont, TX 77701  
(409) 835-4581

*Attorneys for Petitioners Union Pacific Railroad Company,  
Union Pacific Corporation and  
Missouri Pacific Railroad Company*

O. J. WEBER, JR.  
 MEHAFFY, WEBER, KEITH &  
 GONSOLIN  
 P.O. Box 16  
 Beaumont, TX 77704  
 (409) 835-5011

JOHN H. SHENEFIELD \*  
 PETER E. HALLE  
 MORGAN, LEWIS & BOCKIUS  
 1800 M Street, N.W.  
 Washington, D.C. 20036  
 (202) 872-5000

*Attorneys for Petitioners*  
*Kansas City Southern Industries, Inc. and*  
*Kansas City Southern Railway Company*

LOUIS B. PAINE, JR.  
 BUTLER & BINION  
 1600 Allied Bank Plaza  
 Houston, TX 77002  
 (713) 237-3111

JOHN R. LABOVITZ  
 MARK F. HORNING \*  
 STEPTOE & JOHNSON  
 1330 Connecticut Avenue, N.W.  
 Washington, D.C. 20036  
 (202) 429-3000

*Attorneys for Petitioners*  
*Burlington Northern, Inc. and*  
*Burlington Northern Railroad Company*

WALTER J. CRAWFORD, JR.  
 WELLS, PEYTON, BEARD.  
 GREENBERG, HUNT &  
 CRAWFORD  
 624 Petroleum Building  
 - 550 Fannin Street  
 Beaumont, TX 77704  
 (409) 838-2644

GARY SENNER \*  
 STEVEN H. FRANKEL  
 SONNENSCHN EIN CARLIN NATH &  
 ROSENTHAL  
 233 S. Wacker Drive  
 8000 Sears Tower  
 Chicago, IL 60606  
 (312) 876-8059

*Attorneys for Petitioner*  
*Chicago and North Western Transportation Company*

October 1987

\* Counsel of Record

87-705

No. 87-

FILED

OCT 30 1987

JOSEPH E. SPANGL, JR.  
CLERK

IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1987

UNION PACIFIC RAILROAD COMPANY,  
UNION PACIFIC CORPORATION,  
MISSOURI PACIFIC RAILROAD COMPANY,  
KANSAS CITY SOUTHERN INDUSTRIES, INC.,  
KANSAS CITY SOUTHERN RAILWAY COMPANY,  
BURLINGTON NORTHERN, INC.,  
BURLINGTON NORTHERN RAILROAD COMPANY, AND  
CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY,  
v. *Petitioners,*

ENERGY TRANSPORTATION SYSTEMS, INC., AND  
ETSI PIPELINE PROJECT, A JOINT VENTURE, *et al.,*  
*Respondents.*

APPENDIX TO  
PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT

B.J. BRADSHAW  
RICHARD N. CARRELL  
LAYNE E. KRUSE  
FULBRIGHT & JAWORSKI  
1301 McKinney Street  
Houston, TX 77010  
(713) 651-5151

HENRY P. SAILER  
GREGG H. LEVY \*  
MITCHELL F. DOLIN  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 662-6000

JOHN G. BISSELL  
STRONG, PIPKIN, NELSON &  
BISSELL  
595 Orleans Street  
Beaumont, TX 77701  
(409) 835-4581

*Attorneys for Petitioners Union Pacific Railroad Company,  
Union Pacific Corporation and  
Missouri Pacific Railroad Company*

[Counsel for other petitioners are identified on the inside cover]

October 1987

\* Counsel of Record

O. J. WEBER, JR.  
MEHAFFY, WEBER, KEITH &  
GONSOULIN  
P.O. Box 16  
Beaumont, TX 77704  
(409) 835-5011

JOHN H. SHENEFIELD \*  
PETER E. HALLE  
MORGAN, LEWIS & BOCKIUS  
1800 M Street, N.W.  
Washington, D.C. 20036  
(202) 872-5000

*Attorneys for Petitioners*  
*Kansas City Southern Industries, Inc. and*  
*Kansas City Southern Railway Company*

LOUIS B. PAINE, JR.  
BUTLER & BINION  
1600 Allied Bank Plaza  
Houston, TX 77002  
(713) 237-3111

JOHN R. LABOVITZ  
MARK F. HORNING \*  
STEPTOE & JOHNSON  
1330 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
(202) 429-3000

*Attorneys for Petitioners*  
*Burlington Northern, Inc. and*  
*Burlington Northern Railroad Company*

WALTER J. CRAWFORD, JR.  
WELLS, PEYTON, BEARD,  
GREENBERG, HUNT &  
CRAWFORD  
624 Petroleum Building  
550 Fannin Street  
Beaumont, TX 77704  
(409) 838-2644

GARY SENNER \*  
STEVEN H. FRANKEL  
SONNENSCHN E CARLIN NATH &  
ROSENTHAL  
233 S. Wacker Drive  
8000 Sears Tower  
Chicago, IL 60606  
(312) 876-8059

*Attorneys for Petitioner*  
*Chicago and North Western Transportation Company*

\* Counsel of Record



## TABLE OF CONTENTS

	Page
Appendix A—Opinion of the Court of Appeals (822 F.2d 518) -----	1a
Appendix B—Memorandum Opinion and Order of the District Court (February 13, 1987) --	34a
Appendix C—Recommended Memorandum Opinion and Order of Special Master (December 31, 1986) -----	59a
Appendix D—Order of the Court of Appeals Denying Petition for Rehearing (August 12, 1987) -----	84a
Appendix E—Order of the District Court Setting Aside Previous Order of February 13, 1987 (July 20, 1987) -----	86a
Appendix F—Findings of Fact, Conclusions of Law, and Order of District Court (October 2, 1987) -----	87a
Appendix G—Order of the District Court Staying Previous Order of October 2, 1987 (October 14, 1987) -----	104a
Appendix H—Order of the District Court Denying Defendants' Motion for Partial Summary Judgment (February 13, 1987) --	106a
Appendix I —Handler & DeSevo, <i>The Noerr Doctrine and its Sham Exception</i> , 6 Cardozo L. Rev. 1 (1984) -----	107a
Appendix J —Constitutional Provisions and Statute Involved -----	212a



APPENDIX A

IN THE UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT

---

No. 87-2177

---

IN RE: BURLINGTON NORTHERN, INC., BURLINGTON  
NORTHERN RAILROAD CO., UNION PACIFIC CORP.,  
UNION PACIFIC RAILROAD CO., MISSOURI PACIFIC RAIL-  
ROAD CO., KANSAS CITY SOUTHERN INDUSTRIES, INC.,  
KANSAS CITY SOUTHERN RAILWAY CO. & CHICAGO &  
NORTH WESTERN TRANSPORTATION CO.,  
*Petitioners.*

---

Petition For A Writ of Mandamus to The  
United States District Court for the  
Eastern District of Texas

---

(July 14, 1987)

---

Before BROWN, REAVLEY and JOLLY, Circuit  
Judges.

REAVLEY, Circuit Judge:

The plaintiffs in this antitrust suit claim that the defendant railroads conspired to prevent construction of a coal slurry pipeline. Contending, among other things, that the railroads accomplished their anticompetitive goal through filing and defending certain lawsuits, the plain-

tiffs seek discovery of documents relating to those lawsuits. The railroads resist discovery on the grounds of attorney/client privilege and work product immunity. The district court rejected this claim of privilege, holding that because the documents were prepared in furtherance of an illegal conspiracy they fall within the crime/fraud exception to the privilege. The railroads claim the protection of *Noerr-Pennington* for their litigation activities and seek a writ of mandamus. We conclude that the district court erred in allowing discovery without considering whether the litigation activities themselves were significantly motivated by a genuine desire for judicial relief. We reject, however, the railroads' contention that the district court is precluded from finding sham by the railroads' partial success in one of the lawsuits and their defensive posture in the other lawsuits.

## I

### Background

The underlying antitrust claim here arises from Energy Transportation Systems, Inc., and ETSI Pipeline Project's (collectively ETSI) unsuccessful attempt to build a coal slurry pipeline from Wyoming to Arkansas.<sup>1</sup> ETSI claims the defendant railroads, afraid of losing business to the pipeline, unlawfully conspired to prevent, or at least delay and make more expensive, the pipeline's construction by denying permission for it to cross their rights-of-way and by engaging in sham administrative and judicial challenges to ETSI attempts to secure crossing rights, water rights, and administrative permits. After more than ten years of trying to obtain all of the necessary rights, permits, and financing, ETSI abandoned the project in 1984. It now alleges that the proj-

---

<sup>1</sup> According to the parties, coal slurry is a mixture of ground coal and water. The slurry is pumped through the pipeline and then dried to be used as fuel. The proposed pipeline was later expanded to include delivery to utilities in Texas.

ect's failure was caused by the railroads' illegal conspiracy and seeks a judgment against the railroads of \$4.2 billion in damages after trebling. This mandamus petition arises from ETSI's desire to obtain documents prepared in connection with the railroads' allegedly sham litigation activities. Specifically at issue here are documents from two groups of lawsuits.

#### A. *The Andrews Litigation*

The first group consists of consolidated lawsuits that the parties refer to as the *Andrews* litigation. The *Andrews* lawsuits were brought to invalidate a water contract between ETSI and the United States Department of the Interior that would allow ETSI to purchase water from the federal Oahe Reservoir in South Dakota for use in its pipeline. The plaintiffs in the lawsuits included three states—Missouri, Iowa, and Nebraska—several environmental and farmers' groups, and one of the defendant railroads—Kansas City Southern. Another railroad—Union Pacific—provided legal assistance through its attorneys to the state of Nebraska. The *Andrews* plaintiffs asserted numerous grounds for invalidating the contract; they have thus far been successful in their position that the Secretary of the Interior did not have statutory authority to execute the contract without the participation of the Army Corps of Engineers. See *Missouri v. Andrews*, 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, 107 S.Ct. 1346 (1987).

#### B. *The Window Litigation*

The second group of lawsuits from which ETSI seeks documents consists of a series of suits ETSI brought to establish rights to cross the railroads' rights of way. In the very early stages of the pipeline project, ETSI attempted to negotiate the purchase of these crossing rights. When these efforts proved unavailing, allegedly

because of an unlawful agreement between the railroads to jointly withhold crossing rights, ETSI began locating places along the railroads' property where the railroads owned only an easement rather than a fee title. It then purchased easements from the underlying landowner and brought suit to establish that these easements were sufficient to allow it to cross under the railroads' tracks without the railroads' consent. The parties refer to these easements as windows and to ETSI's lawsuits as the window litigation. Apparently, ETSI was essentially successful in every one of these window suits, all of which involved virtually identical issues.

The railroads have refused to turn over many of the documents ETSI seeks on the ground of attorney/client privilege or attorney work product immunity. ETSI filed a motion to compel production of these withheld documents on the ground they were prepared in connection with a violation of the antitrust laws. The railroads argued in response that to obtain discovery ETSI had to show that their litigation activities were sham activities and thus not protected by the *Noerr-Pennington* doctrine.<sup>2</sup> A special master agreed with the railroads and concluded that ETSI had not made the requisite showing. The district court, however, disagreed and granted ETSI's motion. The railroads filed this petition for a writ of mandamus.

## II

### Justification For Mandamus Relief

Before reaching the merits, we must address ETSI's contention that a writ of mandamus is not an appropriate mechanism to review this discovery ruling. ETSI

---

<sup>2</sup> This doctrine, described in detail below, derives from the decisions in *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961), and *United Mine Workers v. Pennington*, 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965).

correctly points out that "mandamus has historically been a drastic remedy generally reserved for really 'extraordinary' cases." *In re Equal Employment Opportunity Commission*, 709 F.2d 392, 394 (5th Cir. 1983) (citing *Kerr v. United States District Court*, 426 U.S. 394, 402, 96 S.Ct. 2119, 2123, 48 L.Ed.2d 725 (1976)). It argues that because the district court's ruling was neither a "usurpation of judicial power" nor a "clear abuse of discretion," see *Bankers Life & Casualty Co. v. Holland*, 346 U.S. 379, 383, 74 S.Ct. 145, 148, 98 L.Ed. 106 (1953), we should dismiss the petition without reaching the merits.

In recent years, several courts have concluded that mandamus is an appropriate method of review of orders compelling discovery against a claim of privilege. See *United States Department of Energy v. Brimmer*, 776 F.2d 1554, 1559 (Temp. Emer. Ct. App. 1985), *cert. denied*, 106 S.Ct. 1261 (1986); *Sporck v. Peil*, 759 F.2d 312, 314-15 (3d Cir.), *cert. denied*, 106 S.Ct. 232 (1985); *Bogosian v. Gulf Oil Corp.*, 738 F.2d 587, 591-92 (3d Cir. 1984); *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596, 599 (8th Cir. 1977); *Heathman v. United States District Court*, 503 F.2d 1032, 1033 (9th Cir. 1974); *Pfizer Inc. v. Lord*, 456 F.2d 545, 547-48 (8th Cir. 1972); *Harper & Row Publishers v. Decker*, 423 F.2d 487, 492 (7th Cir. 1970), *aff'd by an equally divided court*, 400 U.S. 348, 91 S.Ct. 479, 27 L.Ed.2d 433 (1971); see also 16 C. Wright, A. Miller, E. Cooper & E. Gressman, *Federal Practice and Procedure* § 3935, at 247-48 (1977). These cases have recognized the importance of the asserted privilege and the absence of an adequate alternative method of obtaining review. They also have relied on the seriousness and novelty of the privilege issue in the particular case. Respected commentators have similarly noted that the difficulty of obtaining effective review of discovery orders, the serious injury that sometimes results from such orders, and the



often recurring nature of discovery issues support use of mandamus in exceptional cases. 15 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 3914, at 576-77 (1976); 9 J. Moore, B. Ward & J. Lucas, *Moore's Federal Practice* ¶ 110.28, at 313 (2d ed. 1987).

We believe this case presents the exceptional circumstances making mandamus review appropriate. The district court's order directs production of several thousand documents for which attorney/client privilege and work product immunity have been asserted. These documents go to the heart of the controversy between the parties, and disposition of this petition, not only implicates the important policies protecting privileged documents but will likely have a determinative impact on the course of the case. Erroneous disclosure of these documents could be irreparable. It is also significant that, unlike the typical discovery order, the district court's order was not a mere discretionary one but rather turns on legal questions appropriate for appellate review. The issues here also have importance beyond the immediate lawsuit. The interrelationship of the attorney/client privilege's crime/fraud exception and the *Noerr-Pennington* doctrine with its sham limitation is a question which we do not find addressed in the decisions but which is likely to recur in future cases. Given the nature of the analysis required in an antitrust case in which a *Noerr-Pennington* defense is asserted and a question of sham is raised, communication between the attorney directing the petitioning activity and his client will be highly relevant. Under the district court's ruling, such communications could be discovered upon a showing that the petitioning was part of a larger conspiracy even though the petition itself might be protected from antitrust scrutiny. Such an important and potentially far-reaching decision, which we hold below to be erroneous, is an appropriate one for our immediate review.

## III

## Litigation That Serves A Larger Conspiracy

Turning to the merits, we first address the primary ground on which the district court concluded that discovery of the documents was proper. Although recognizing that *Noerr-Pennington* might ultimately immunize the railroads' petitioning activities from antitrust liability, the district court determined that documents relating to such activity are nonetheless not immune from discovery when they relate to a larger conspiracy that is actionable. The court found that ETSI's evidence established a prima facie case that such a larger conspiracy in fact existed—a conspiracy to defeat the pipeline by a strategy of delaying and interfering with its construction—and that the railroads had consulted and used their attorneys to further this conspiracy. In particular, the court found that the railroads' administrative and judicial challenges to ETSI permits and contracts and their defense of the window lawsuits were in furtherance of this conspiracy. Based on these findings alone, the court concluded that it could order discovery of the documents relating to the litigation. The court was thus able to order discovery without ever reaching the question whether the *Andrews* litigation and the defense of the window lawsuits were sham. In making this ruling, the district court relied on cases from other circuits holding that *Noerr-Pennington* is not a bar to discovery. See, e.g., *Associated Container Transportation (Australia) Ltd. v. United States*, 705 F.2d 53 (2d Cir. 1983); *North Carolina Electric Membership Corp. v. Carolina Power & Light Co.*, 666 F.2d 50 (4th Cir. 1981). In those cases, however, no claim of attorney/client privilege was asserted and the sole question was whether *Noerr-Pennington* alone barred discovery. The issue here is whether the attorney/client privilege bars discovery in the face of a claim that the communications relate to a crime or fraud. *Noerr-Pennington* is relevant only to the extent it determines whether a crime or fraud has been shown.

The broad-brush approach of the district court gives too little attention to the policies behind both the *Noerr-Pennington* doctrine and the privileges at stake here.<sup>3</sup> The basis for *Noerr-Pennington* immunity has been well documented. In *Noerr*, the Supreme Court was presented with a claim that an association of railroads had violated the antitrust laws by engaging in a massive publicity campaign designed to influence legislative and executive action against the trucking industry. The Court determined that the railroads' activity did not fall within the ambit of the antitrust laws. It stressed the importance in a representative democracy of the right of persons to "freely inform the government of their wishes." 365 U.S. at 137, 81 S.Ct. at 529. The Court also felt that construing the antitrust laws to reach the railroads' activity would raise "important constitutional questions" regarding the right to petition government and that it could not "lightly impute to Congress an intent to invade these freedoms." *Id.* at 138, 81 S.Ct. at 530. *Pennington* reaffirmed *Noerr*, holding that "[j]oint efforts to influence public officials do not violate the antitrust laws even though intended to eliminate competition. Such conduct is not illegal, either standing alone or as

---

<sup>3</sup> The remainder of this opinion demonstrates that the parties dispute several points in this petition. A few things, however, are not in dispute. For the purposes of its ruling, the district court assumed that the railroads had an otherwise valid claim of privilege or immunity and that the documents would not be discoverable absent the crime/fraud exception. Thus we are not presented with any question about the initial existence of privilege or immunity. The parties also do not challenge the district court's conclusion that a civil violation of the antitrust laws is a "crime" or "fraud" for purposes of abrogating the attorney/client privilege. See *Pfizer Inc. v. Lord*, 456 F.2d 545 (8th Cir. 1972). Finally, there is no dispute over the district court's ruling that ETSI's burden in seeking discovery is to make out a prima facie case that the documents were prepared in furtherance of a crime or fraud. *In re International Systems & Controls Corporation Securities Litigation*, 693 F.2d 1235, 1242 (5th Cir. 1982).

part of a broader scheme itself violative of the Sherman Act." 381 U.S. at 670, 85 S.Ct. at 1593.

The Court in *Noerr* acknowledged, in a statement that is the genesis of the current "sham" doctrine, that some petitions, "ostensibly directed toward influencing governmental action, [may be]—a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor and the application of the Sherman Act would be justified." *Id.* at 144, 81 S.Ct. at 533. The railroads were protected, however, because they "were making a genuine effort to influence legislation." *Id.* The principle thus emerging from these decisions is that genuine efforts to influence governmental decisionmaking are to be encouraged, not penalized through application of the antitrust laws. Protection exists even though the petitioner's avowed purpose is to eliminate a competitor and even though the petitioner may be engaged in a larger unprotected scheme designed to do just that. Despite the potential anti-competitive effects of petitioning so motivated and occurring in such a context, the Supreme Court has made the policy choice to "assure 'uninhibited access to government policy makers.'" *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1363 (5th Cir. 1983) (quoting *George R. Whitten Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25, 32 (1st Cir.), *cert. denied*, 400 U.S. 850, 91 S.Ct. 54, 27 L.Ed.2d 88 (1967)).

A similar policy choice underlies the attorney/client privilege and work product immunity. The attorney/client privilege rests on the need to "encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice." *Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S.Ct. 677, 682, 66 L.Ed.2d 584 (1981). The privilege's "benefits are all indirect and speculative; its obstruction is plain

and concrete." 8 J. Wigmore, Evidence § 2291 (McNaughton rev. 1961). Yet the privilege survives, based on the recognition that "sound legal advice or advocacy serves public ends and that such advice or advocacy depends upon the lawyer's being fully informed by the client." *Upjohn*, 449 U.S. at 389, 101 S.Ct. at 682. The privilege, of course, is subject to several exceptions, notably the crime/fraud exception asserted here. The crime/fraud exception recognizes that because the "client has no legitimate interest in seeking legal advice in planning future criminal activities," *In re International Systems & Controls Corporation Securities Litigation*, 693 F.2d 1235, 1242 (5th Cir. 1982), society has no interest in facilitating such communications. Thus the exception demonstrates the policy: persons should be free to consult their attorney for legitimate purposes.

Work product immunity similarly derives from the desire to facilitate effective advocacy. Despite a broad policy in favor of liberal discovery, immunity exists for a lawyer's work product to protect the lawyer's ability to "work for the advancement of justice while faithfully protecting the rightful interests of his clients." *Hickman v. Taylor*, 329 U.S. 495, 510, 67 S.Ct. 385, 393, 91 L.Ed. 451 (1947). Just as with disclosure of communications between attorney and client, discovery of the attorney's "written statements, private memoranda and personal recollections," *id.*, would inhibit the attorney's effort to fully explore and develop the position he has been asked to advocate. Indeed, recognition of this degree of similarity between the attorney/client privilege and work product immunity has led this court and others to hold that both are subject to the same crime/fraud exception. *International Systems*, 693 F.2d at 1242; *In re Antitrust Grand Jury*, 805 F.2d 155, 164 (6th Cir. 1986); *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982); *In re John Doe Corp.*, 675 F.2d 482, 492 (2d Cir. 1982);

*In re Grand Jury Proceedings*, 604 F.2d 798, 803 (3d Cir. 1979).<sup>4</sup>

The district court erred in ordering discovery without considering whether the specific litigation activities were illegitimate. The attorney/client privilege and work product immunity protect communications and papers generated when a client engages his attorney for legitimate purposes. To the extent the railroads sought out their attorneys to bring lawful suits and consulted with them in connection with such suits, they were within the scope of this protection. That the railroads might also have consulted and received the help of their attorneys in connection with other activities that are not lawful does not change this conclusion. The focus must be narrowed to the specific purpose of the particular communication or document. To the extent the document deals with a protected activity, it is immune from discovery.

To hold otherwise would unduly infringe on the protection *Noerr-Pennington* extends to petitioning activities genuinely intended to influence governmental action, even though part of a larger scheme of anticompetitive conduct. The Supreme Court has recognized that such activities are desirable, and the attorney/client privilege and work product immunity further the policy behind this recognition by facilitating petitioning activity that, as in this case, requires the assistance of attorneys. To permit discovery of the documents withheld in this case on the basis of a larger conspiracy by the railroads would undermine the effectiveness of the very type of petitioning the Supreme Court's decisions have protected. Therefore to the extent ETSI seeks material directly connected with the railroads' litigation activities, the dis-

---

<sup>4</sup> Work product material, unlike attorney/client communications, is subject to discovery under the provisions of Fed. R. Civ. P. 26(b)(3). Although ETSI has sought discovery under Rule 26 in the district court, this issue is not before us on this petition for mandamus.



strict court cannot order discovery without first determining that the litigation activity was itself in violation of the antitrust laws. In the context of this case, that determination will require resolution of the question whether the litigation was a sham.<sup>5</sup> We now turn to that question.

#### IV

##### District Court's Failure to Find Sham

ETSI argues that the district court, aside from its reasoning discussed in the preceding section of this opinion, made a factual determination that the railroads' litigation activities were sham. It attempts to show that this determination was correct and urges this court to deny the writ of mandamus on this basis. The railroads deny that the district court made any factual determination of sham.

We agree with the railroads that the district court failed to make an adequate finding that the railroads' litigation activities were sham. It is true, as ETSI contends, that the district court's memorandum opinion states that the railroads "were not engaged in a bona fide effort to secure governmental action." As we discuss below, this is essentially the conclusion that must be

---

<sup>5</sup> Our direction here that the court must focus on the specific relationship of the communication to a protected activity is consistent with our earlier holding that piercing a claim of privilege through the crime/fraud exception requires a showing that the material "reasonably relate[s] to the fraudulent activity." *International Systems*, 693 F.2d at 1243. As the court from which we adopted this test stated, "[t]he exact formulation of a 'test' for relatedness is less important than an understanding of what the test must accomplish: easy differentiation between material for which the law should not furnish the protections of a privilege and material for which a privilege should be respected." *In re Sealed Case*, 676 F.2d 793, 815 n.91 (D.C. Cir. 1982). In this case, we have determined that the policies behind *Noerr-Pennington* require protection for material that is directly in furtherance of lawful litigation activity.



reached to decide that petitioning activities are not protected by *Noerr-Pennington*. Reading the opinion as a whole, however, it is apparent that the district court did not make the detailed factual inquiry necessary to support this conclusion. Instead, the district court relied on its conclusion that ETSI had made a prima facie showing that the railroads had engaged in an overall conspiracy to defeat the pipeline and that the petitioning was connected with this conspiracy. The court concluded that "[t]his connection . . . taints the entire petitioning process with sham."

We have already rejected the district court's attempt to rely on the alleged overall conspiracy to directly abrogate the railroads' privilege. For similar reasons, we now reject reliance on the overall scheme in connection with finding sham. As we discussed earlier, the Supreme Court held in *Pennington* that genuine petitioning activities are "not illegal, either standing alone or as part of a broader scheme itself violative of the Sherman Act." 381 U.S. at 670, 85 S.Ct. at 1593. Based on this language, this court has held that antitrust liability cannot be predicated on otherwise protected litigation activity merely because the activity was part of a broader conspiracy. *Feminist Women's Health Center, Inc. v. Mohammad*, 586 F.2d 530, 543 (5th Cir. 1978), cert. denied, 444 U.S. 924, 100 S.Ct. 262, 62 L.Ed.2d 180 (1979); see also *Hospital Building Co. v. Trustees of Rex Hospital*, 691 F.2d 678, 688 (4th Cir. 1982), cert. denied, 464 U.S. 890, 104 S.Ct. 231, 78 L.Ed.2d 224 (1983); *Alexander v. National Farmers Organization*, 687 F.2d 1173, 1195 (8th Cir. 1982). The holding in *Pennington* requires attention to the narrow petitioning activity at issue. The fact finder must determine, as to the particular petition, whether the petitioner was engaged in a genuine effort to influence governmental decisionmaking. If so, then antitrust liability cannot be based on that activity and the attorney/client privilege

and work product immunity for documents directly related to the activity remain intact.

In relying on the overall scheme theory to find sham, the district court relied primarily on the Ninth Circuit's decision in *Clipper Express v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227, 103 S.Ct. 1234, 75 L.Ed.2d 468 (1983). That decision, however, does not support the district court's ruling. The court there reversed a grant of summary judgment to the defendants in an anti-trust case in which the alleged anticompetitive conduct consisted of petitioning and other unlawful activity. The Ninth Circuit held that summary judgment was improper even if *Noerr-Pennington* protected the petitioning because if "Clipper can prove that the defendants engaged in activities which violated the antitrust laws, those violations do not become immune simply because the defendants used legal means—protests before the ICC—as a means to enforce the violations." *Id.* at 1264. The court's holding was that *Noerr-Pennington* "provides immunity only for the narrow petitioning activity," *id.* at 1265, and that this immunity does not provide "overall immunity" to other violations, *id.* at 1263. The court did not hold, and could not hold consistently with *Pennington*, that the overall scheme makes the otherwise protected petitioning a sham.

## V

### Sham Petitioning

In their petition for mandamus, the railroads ask that we direct the district court to adopt the special master's tentative ruling that the railroads' litigation activities were not sham as a matter of law. The railroads assert that the *Andrews* lawsuits cannot be found to be a sham because the railroads were successful. As to the window lawsuits, they assert no sham can be found because of the railroads' defensive posture. We disagree.

### A. *Successful Lawsuits as Sham*

The argument that successful petitioning can never be a sham and thus subject to antitrust scrutiny is an appealing one. As this court has recognized, it is "difficult to conclude that the filing of a complaint constitutes a sham where the party seeking relief actually prevails." *Mid-Texas Communications Systems, Inc. v. AT&T*, 615 F.2d 1372, 1383 (5th Cir.), *cert. denied*, 449 U.S. 912, 101 S.Ct. 286, 66 L.Ed.2d 140 (1980); *see also Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1257 & n.17 (9th Cir. 1982). As we discuss below, this is because success on the merits is forceful evidence that the petitioner did in fact wish to influence the governmental decision and obtain the relief prayed for.

We cannot, however, lay down a categorical rule that successful petitioning can never be a sham.<sup>6</sup> In *Coastal*

---

<sup>6</sup> The commentators take varying positions on the question whether a successful suit can be considered a sham. Areeda and Hovenkamp state generally that "successful judicial action is not a 'sham,'" but add the caveat that this is "merely a strong presumption, rather than a categorical rule." P. Areeda & H. Hovenkamp, *Antitrust Law* 11, 13 (Supp. 1986). They also refer approvingly to our decision in *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983), the decision upon which we now rely to hold that some successful petitioning may be found to be sham. Areeda, at 16 ("Perhaps we cannot hope to be more precise than to say with the Fifth Circuit's *Coastal States* decision that a litigant 'should enjoy petitioning immunity from the antitrust laws so long as a genuine desire for judicial relief is a significant motivating factor underlying the suit.'").

Kinter and Bauer note that success is strong evidence of a legitimate petition, but state that even successful claims may be considered to be sham. Kinter & Bauer, *Antitrust Exemptions for Private Requests for Governmental Action: A Critical Analysis of the Noerr-Pennington Doctrine*, 17 U.C. Davis L. Rev. 549, 576 (1984).

Handler and DeSevo assert that success on the merits absolutely precludes a finding of sham. Handler & DeSevo, *The Noerr Doc-*

*States Marketing, Inc v. Hunt*, 694 F.2d 1358 (5th Cir. 1983), we considered the circumstances under which litigation activities can be held to be a sham. We held that a "litigant should enjoy immunity from the antitrust laws so long as a genuine desire for judicial relief is a significant motivating factor underlying the suit." *Id.* at 1372. Our statement of this test flowed from *Noerr's* teaching that sham petitioning is that which, although "ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor." 365 U.S. at 144, 81 S.Ct. at 533. *Coastal States* recognized that the key to extending *Noerr-Pennington* protection is whether the antitrust defendant genuinely was attempting to influence governmental decisionmaking. If the defendant's intent was not to influence the government and obtain relief, but rather to harm a competitor through the mere invocation and maintenance of the process, he is not entitled to protection because he is not exercising the right of petition that formed the basis for the decision in *Noerr*. See *Clipper Exxpress*, 690 F.2d at 1255; see also *Litton Systems, Inc. v. AT&T*, 700 F.2d 785, 810 (2d Cir. 1983), *cert. denied*, 464 U.S. 1073, 104 S.Ct. 984, 79 L.Ed 2d 220 (1984); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 472 (7th Cir. 1982), *cert. denied*, 461 U.S. 958, 103 S.Ct. 2430, 77 L.Ed.2d 1317 (1983); *City of Gainesville v. Florida Power & Light Co.*, 488 F.Supp. 1258, 1265-66 (S.D. Fla. 1980); P. Areeda & H. Hovenkamp, *Antitrust Law* 7 (Supp. 1986) (hereinafter

---

*trine and Its Sham Exception*, 6 Cardozo L. Rev. 1, 30-31 (1984). This view is based on their reading of *Noerr* and *Pennington* to preclude any examination of the petitioner's intent for any purpose. As we discuss below, we read *Noerr's* statement that sham petitioning is that which is not genuinely intended to influence governmental decisionmaking to require an examination of the litigant's intent to the extent of asking whether the petition was motivated by a desire for the relief sought.

Areeda) ("When the antitrust defendant had not truly sought to influence a governmental decision, his invocation of governmental machinery is a sham.").

The *Coastal States* test for determining when petitioning activities are a sham recognizes that the "usual litigant will base its decision to sue on a number of factors." *Coastal States*, 694 F.2d at 1371. It focuses attention on the factors motivating the *initiation* and *prosecution* of the suit. Thus, it is not dispositive that the ultimate relief will be beneficial to the petitioner and will serve his purposes. It must be shown that the desire for relief was a significant factor underlying the actual bringing and prosecution of the suit. This requires an examination of the litigant's intent. Cf. *Greenwood Utilities Commission v. Mississippi Power Co.*, 751 F.2d 1484, 1498 n.9 (5th Cir. 1985) ("[D]etermining whether the petitioning conduct was a sham often involves questions of motive or subjective intent."). It is important to note, however, that this inquiry is limited to the immediate purpose for the litigation. *Noerr* and *Pennington* hold that anticompetitive intent does not make petitioning a sham. *Noerr*, 365 U.S. at 138-40, 81 S.Ct. at 530-31; *Pennington*, 381 U.S. at 669-70, 85 S.Ct. at 1593. Thus, the entire effort may be part of an antitrust conspiracy, without which there would have been no litigation. The issue of intent that controls is whether the litigant wished to obtain his anticompetitive end through obtaining court-ordered relief or simply through the filing and maintenance of the lawsuits.

Our interpretation of the sham doctrine in *Coastal States* makes clear that success on the merits does not necessarily preclude an antitrust plaintiff from proving that the defendant's earlier litigation activities were sham. The determinative inquiry is not whether the suit was won or lost, but whether it was significantly motivated by a genuine desire for judicial relief. Of course, the success of the claim presented is persuasive evidence

that the litigant in fact wanted the relief. It is highly unlikely that a party with a meritorious claim will not be significantly motivated by a desire to obtain relief on that claim. Thus, an antitrust plaintiff attempting to base liability on successful petitioning must overcome a strong inference that *Noerr-Pennington* applies and in many cases may be unable to do so. But reliance on the success of the earlier claim cannot substitute for proper consideration of any evidence the plaintiff might provide of the petitioner's motivation.

To be sure, "[d]etermining what efforts are not bona fide petitions to the government . . . is a difficult task." *Greenwood Utilities*, 751 F.2d at 1498. Drawing the line at successful petitions—or at petitions that had a reasonable basis—would simplify this task somewhat. But we cannot say that important cases will not exist in which the evidence establishes that, despite having a meritorious claim, a party was motivated not by a desire to obtain relief but to harass and interfere with the activities of a competitor through the process itself. *Accord Grip-Pak*, 694 F.2d at 472. In this case, for example, ETSI claims the railroads were not interested in obtaining relief from the court in *Andrews* because the railroads realized their goal of defeating the pipeline depended primarily on delaying the project to the point it became so expensive to be infeasible as a competitive enterprise. It presents evidence that railroads made the decision to participate in the litigation without consideration of the possible merit of the suit. Of course, that the railroads realized that the delaying value of their lawsuit would aid their goal does not necessarily mean they did not in fact want relief from the court. But if ETSI can sustain its burden to show that the railroads were not significantly motivated by a "genuine desire for judicial relief," *Coastal States*, 694 F.2d at 1372, the railroads should not be able to invoke *Noerr-Pennington* as



a shield to discovery of documents relating to that litigation.<sup>7</sup>

The preceding discussion should not be taken as a suggestion that the reasonableness of a suit is irrelevant for all purposes. We have concluded that objective reasonableness—as manifested by the court's grant of relief on the claim—should not protect a person who was not genuinely exercising his right to petition. However, as our discussion below of standing indicates, we believe that a complete lack of reasonableness necessarily must deprive a person of protection. A party who invokes the governmental decisionmaking process must have a reasonable basis for believing his claim might prevail. In other words, the requirement in *Noerr* and *Coastal States* that petitioning be motivated by a *genuine* desire for relief means that the desire for relief must be both honest and

---

<sup>7</sup> Judge Jolly disagrees at this point and argues that *Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731, 103 S.Ct. 2161, 76 L.Ed.2d 277 (1983), dictates that *Noerr-Pennington* protection be extended to any case that has a reasonable legal and factual basis. The question in that case was whether the NLRB could enjoin a state court proceeding that had a reasonable basis on the ground that it was motivated by a desire to retaliate against striking employees. The Court held that it could not. The Court did not, however, state a constitutional rule that all lawsuits with a reasonable basis are immune from the application of otherwise valid regulation. Rather, it construed congressional intent behind the NLRA in light of the constitutional right to petition and earlier Supreme Court cases that have held that the NLRA does not preempt states from providing a civil remedy for tortious conduct occurring during a labor dispute. *Id.* at 740-44, 103 S.Ct. at 2168-70. Given the constitutional implications and the lack of preemption, the Court concluded that the NLRA does not empower the Board to enjoin lawsuits solely on the basis of retaliatory motive. The Court did not define sham for purposes of the antitrust laws, nor did it consider the situation in which the litigant, in addition to having a motive generally proscribed by the regulation at issue, also has no significant desire to obtain the relief prayed for. We therefore find no inconsistency between *Bill Johnson's* and our reading of Fifth Circuit controlling precedent in the antitrust area.



reasonable. This requirement serves the purpose of withholding protection from those persons who are not entitled to it, while at the same time recognizing the "wise policy [of] hold[ing] business actors to a standard of reasonable care in using governmental machinery." Areeda, at 11; see also *id.* at 7 ("To be sure, [a petitioner] would always be pleased to obtain a governmental decision against his rival. But where he had no reasonable expectation of obtaining the favorable ruling, his effort to do so was a sham."); *Litton Systems, Inc. v. AT&T*, 700 F.2d 785, 811-12 (2d Cir. 1983), *cert. denied*, 464 U.S. 1073, 104 S.Ct. 984, 79 L.Ed.2d 220 (1984).<sup>8</sup>

---

<sup>8</sup> Professors Areeda and Hovenkamp also state that they would not withhold protection from a person who "had a reasonable claim in the other forum but did not subjectively know it." Areeda, at 10. They point to "[d]oubt about the wisdom of punishing such a person" and "the difficulty of properly proving subjective intent in the first place." *Id.* This statement seems to adopt a purely objective approach to determining sham. We disagree. As our discussion of successful petitioning demonstrates, the Supreme Court's decisions, as interpreted by this court and others, necessarily entail an examination of the petitioner's subjective motivations. Moreover, aside from the binding force of this precedent, we are not persuaded by the reasoning against subjecting some persons with objectively reasonable claims to antitrust scrutiny. Rather than punishing a person for simply not knowing the reasonableness of his claim, our ruling withholds *Noerr-Pennington* protection from persons who do not care about the reasonableness of their claim and who bring claims for the improper purpose of harming a competitor through the mere invocation of governmental decisionmaking processes. We do not believe the difficulty of inquiring into intent justifies a different rule; if a plaintiff can adduce sufficient evidence to overcome the strong inference that persons with meritorious claims wish to obtain relief upon them we believe he should prevail. We cannot endorse a rule that would require a court to blindly extend protection in the face of evidence that the party was in fact not exercising the protected right to petition. We also note that Areeda and Hovenkamp themselves would not preclude applying the antitrust laws to all petitions that had a reasonable basis. As noted earlier, *supra* note 9, they leave open the possibility of holding some successful petitions to be sham.

## B. *Lack of Standing as Sham*

The requirement of reasonableness raises a second, albeit related, reason why we decline to adopt the railroads' argument that the result in the *Andrews* lawsuits precludes finding a sham. The one railroad who joined the *Andrews* litigation as a party—Kansas City Southern (KCS)—was initially dismissed for lack of standing. The court later vacated that ruling as to some of KCS's claims when KCS filed an amended complaint and additional affidavits as to its interest in the case. However, because the court had already ruled on the merits and granted an injunction in favor of the plaintiffs who had standing, it declined to finally resolve KCS's standing. On appeal, the Eighth Circuit also found it unnecessary to resolve KCS's standing, as it agreed with the district court's ruling that the state plaintiffs had standing and affirmed the injunction on that basis. *Missouri v. Andrews*, 787 F.2d 270, 274 (8th Cir. 1986), *cert. granted*, 107 S.Ct. 1346 (1987).

We do not believe *Noerr-Pennington* extends to a litigant who has not properly invoked a court's power to act in a case, even though the petitioner may otherwise genuinely desire relief on a meritorious claim. Unlike the legislative arena, substantial limits exist on the ability of persons to pursue claims in the courts. In particular, a person whose interest in a controversy is not sufficient to confer standing has no right to petition the court as a party and obtain relief. Thus, a person cannot reasonably claim that his participation in a lawsuit in which he has no standing is a genuine attempt to influence governmental decisionmaking. Of course, a person has a right to assert his claim of standing along with his claim on the merits and seek to influence the court to recognize his interest in the controversy. Thus, to the extent the litigant has a reasonable basis for believing that his claim of standing might be accepted by the court, and thus that he will have the right to participate in the litigation proc-

ess and obtain relief, he will be protected by *Noerr-Pennington* even though he ultimately loses.<sup>9</sup> But a bystander to a controversy who either knows he has no standing or who has no reasonable basis for asserting standing but who nonetheless files or joins in a lawsuit cannot claim the protection *Noerr-Pennington* extends to genuine attempts to influence judicial decisionmaking. See *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891, 896 (2d Cir. 1981) (defendants appealed from zoning commission decisions "knowing that they lacked standing to do so"); cf. *MCI Communications Corp. v. AT&T*, 708 F.2d 1081, 1156 (7th Cir. 1983) ("There can be no genuine attempt to petition the government when the petitioners know in advance that the governmental body lacks the authority to take the action desired."), *cert. denied*, 464 U.S. 891, 104 S.Ct. 234, 78 L.Ed.2d 226 (1983).<sup>10</sup>

---

<sup>9</sup> ETSI devotes considerable argument in its brief to their claim that the railroads had no "legitimate interest in the outcome" of the *Andrews* litigation. To the extent this argument goes to the point we have just made in the text that parties without a reasonable basis for asserting standing are not protected by *Noerr-Pennington*, we agree. We disagree, however, if ETSI's claim goes beyond that to suggest that the railroads are not protected because they may have had no interest in the substantive law upon which the *Andrews*' court granted its relief. If the railroads' interest is such that they had a reasonable claim of standing, then their interest was sufficient to allow them the protected right to seek to influence the court's decision and obtain relief. That their motivation may have been to harm ET rather than to promote proper exercise of authority between the Department of Interior and the Army Corps of Engineers is irrelevant. See *Noerr*, 365 U.S. at 139-40, 81 S.Ct. at 531 ("[I]nsofar as the railroads' campaign was directed toward obtaining governmental action, its legality was not at all affected by any anticompetitive purpose it may have had.").

<sup>10</sup> The *Andrews* district court did sustain the railroads' claim of standing as to some claims (none of which formed the basis for the ruling in that case), but we do not believe this to be dispositive. If the railroads did not actually and reasonably expect to prevail on the claims for which they had standing, or if that ex-

The participation of the only other railroad actively involved in the *Andrews* litigation—Union Pacific—raises similar difficulties. Unlike KCS, Union Pacific never attempted to join the litigation as a party. Instead, it provided legal assistance through its attorneys to the state of Nebraska, a named plaintiff in one of the suits. Union Pacific paid the fees of its attorneys for this assistance, which apparently involved extensive research assistance and document drafting. The parties dispute the precise role Union Pacific played in Nebraska's decision to seek its assistance and to file suit. The parties also dispute the degree to which others in the litigation were aware of Union Pacific's involvement, but it appears to be largely agreed that most parties, as well as the district court itself, were unaware that Nebraska was being assisted.

Union Pacific's activity presents difficult questions regarding the scope of *Noerr-Pennington's* protection and the constitutional right to petition. The railroads have argued that *Noerr* itself answers these questions in favor of protecting Union Pacific's activities. In *Noerr*, the railroad industry hired a public relations firm to conduct their publicity campaign against the trucking industry. Much of the campaign was carried out through a "third-party technique, that is, the publicity matter circulated in the campaign was made to appear as spontaneously expressed views of independent persons and civic groups, when, in fact, it was largely prepared and produced by [the public relations firm] and paid for by the railroads." 365 U.S. at 130, 81 S.Ct. at 525. The Supreme Court rejected the lower court's view that this aspect of the railroads' activity justified application of the antitrust laws.

---

pectation was not a significant motivating factor underlying their decision to bring the suit, the existence of those claims should not protect them.

The railroads here argue that the holding in *Noerr* dictates that Union Pacific's assistance to Nebraska, which they assert was more benign than the misleading conduct in *Noerr*, be protected. We disagree. As the Court's subsequent decision in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972), makes clear, significant differences exist between attempts to influence legislative decisionmaking and attempts to influence the judiciary. *Noerr* emphasized the highly political nature of the railroads' petitioning activities and Congress's traditional caution "in legislating with respect to problems relating to the conduct of political activities." *Noerr*, 365 U.S. at 141, 81 S.Ct. at 531. In contrast, as we noted above, the right to petition the courts and the methods that properly may be used in such petitioning have been carefully circumscribed. Cf. 1 P. Areeda & D. Turner, *Anti-trust Law* 48 (1978) ("[T]he legislative and judicial reluctance to regulate political activities has never affected litigation."). We do not believe that *Noerr*'s extension of protection to the railroads' publicity campaign controls the disposition of the issue of protection for Union Pacific's activities.

Indeed, we believe it would be an unwarranted extension of *Noerr-Pennington*'s protection to hold that a party without an interest in a case sufficient to allow it to directly petition the courts may nonetheless indirectly seek its anticompetitive goals through encouraging and assisting the lawsuits of others.<sup>11</sup> *Noerr* was based largely on the principle that government relies to a large degree on the "ability of persons to make their wishes known to government." 365 U.S. at 137, 81 S.Ct. at 529.

---

<sup>11</sup> Our discussion here assumes, without deciding, that Union Pacific had no reasonable claim of standing to participate in *Andrews*. Should the district court determine that Union Pacific had such a claim, the mere fact that Union Pacific did not actually formally join the litigation does not deprive it of protection.

It further recognized that prohibiting those with a competitive interest in governmental action from petitioning the government as to that action would "deprive the government of a valuable source of information and, at the same time, deprive the people of their right to petition in the very instances in which that right may be of the most importance to them." *Id.* at 139, 81 S.Ct. at 531. In this case, however, our holding subjects to antitrust scrutiny only those persons whose interests are such that Congress or the courts have independently determined not to be the proper parties to assert the claim in court. To the extent a party has an interest in a case sufficient to support a reasonable claim of standing, his efforts to directly or indirectly participate in the litigation are protected. We do not believe that the policies behind *Noerr-Pennington* dictate any greater protection than this.

We recognize the constitutional underpinnings of the *Noerr-Pennington* doctrine and that Union Pacific's activities to some degree implicate constitutional protections. See *NAACP v. Button*, 371 U.S. 415, 83 S.Ct. 328, 9 L.Ed.2d 405 (1963) (protecting the NAACP's right to advise persons of their legal rights and solicit their involvement in racial discrimination suits); *In re Primus*, 436 U.S. 412, 98 S.Ct. 1893, 56 L.Ed.2d 417 (1978) (protecting the ACLU's right to give legal advice and solicit involvements in lawsuits). The First Amendment, however, does not extend blanket protection to all activities involving association together to pursue goals through litigation. In *Ohralik v. Ohio State Bar Association*, 436 U.S. 447, 98 S.Ct. 1912, 56 L.Ed.2d 444 (1978), for example, the Court held that a state may prohibit lawyer solicitation in circumstances that are conducive to fraud, undue influence, and other forms of vexatious conduct. The Court has also "recognized the strong governmental interest in certain forms of economic regulation, even though such regulation may have



an incidental effect on rights of speech and association.” *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 912, 102 S.Ct. 3409, 3425, 73 L.Ed.2d 1215 (1982).

We believe that the interests supporting application of the antitrust laws to prohibit and penalize anticompetitive conduct are sufficiently strong to dispel any constitutional difficulties in withholding *Noerr-Pennington* protection from persons who, without the right to petition the courts directly, seek to further their anticompetitive goals through funding, encouraging, and assisting the lawsuits of others.<sup>12</sup> We do not believe the First Amendment protects a competitor’s right to accomplish economic predation through such means. Unlike the regulations struck down in *Button* and *Primus*, which broadly prohibited all solicitation activities of the NAACP and ACLU without a showing of any substantive evil flowing from such activity, withholding *Noerr-Pennington* protection here simply opens the door for ETSI to show that Union Pacific’s activity was harmful anticompetitive conduct. The governmental interest in allowing this showing to be made, coupled with the weak claim to protection for such activity, amply justifies our holding here.

---

<sup>12</sup> Our conclusion here results in the possible piercing of Union Pacific’s claim of privilege for documents prepared in connection with the *Andrews* litigation. We do not address the extent to which these documents, or documents prepared in connection with KCS’s participation in the litigation, might still be immune from discovery because of a privilege held by the state of Nebraska or other parties involved in that litigation. Indeed, after the district court’s ruling granting ETSI’s motion to compel discovery, Nebraska and others involved in the *Andrews* litigation sought a protective order from the district court against disclosure of documents as to which they hold a privilege. The district court did not rule on that motion because of the pendency of the present petition. These parties have filed amicus briefs in this court urging that we recognize their claims of privilege, especially in light of the pendency of the *Andrews* case before the Supreme Court. We are confident the district court in any further rulings on ETSI’s discovery motions will act to safeguard any viable privilege these parties hold.



### C. *Defending Lawsuits as Sham*

The railroads also argue that their participation in the window lawsuits cannot be a sham as a matter of law because they were defendants in those lawsuits. This point need not detain us long. We certainly agree with the Seventh Circuit's observation that one "cannot start a suit . . . and then sue the defendant for refusing to default." *Brunswick Corp. v. Riegel Textile Corp.*, 752 F.2d 261, 272 (7th Cir. 1984), *cert. denied*, 472 U.S. 1018, 105 S.Ct. 3480, 87 L.Ed.2d 615 (1985). But the allegations made and evidence presented by ETSI go beyond that. ETSI claims the railroads knew that they had no viable defense in those suits but that they nonetheless filed defensive pleadings and sought discovery for the purpose of further delaying the pipeline project and obtaining information that could be used in other forums to hinder the project. ETSI points out that it was successful in obtaining the relief it sought in each of the window lawsuits it filed and that the railroads continued to litigate each case long after their arguments had been repeatedly rejected by the courts.

We believe that ETSI's claims, if found by the district court to be supported by *prima facie* evidence, are sufficient to deprive the railroads' defense of the window litigation of *Noerr-Pennington* protection. We perceive no reason to apply any different standard to defending lawsuits than to initiating them. Therefore, to the extent the railroads' activities in the window lawsuits were not significantly motivated by an honest and reasonable desire to influence the court's decision and affect the outcome of the case they are not entitled to protections from antitrust scrutiny.<sup>13</sup>

---

<sup>13</sup> The railroads also claim that the district court cannot conclude the window lawsuits defense was a sham because the special master made factual findings to the contrary that were not clearly erroneous. See Fed. R. Civ. P. 53(e). We do not agree that the district court was obligated to give any deference to the special master's

## VI

## Waiver of Privilege

The final issue we must address is ETSI's contention that an independent ground exists for leaving undisturbed the district court's ruling. ETSI claims that the railroads waived their asserted privileges by relying on a defense that puts their attorney/client communications and work product at issue. It argues that an antitrust defendant who relies on *Noerr-Pennington* bears the burden of proving the genuineness of his petitioning activities, and, having thus injected his good faith into the case, waives any privilege to documents bearing on that issue. We disagree.

We cannot accept the proposition that a defendant in an antitrust suit who relies on the protection afforded by *Noerr-Pennington* necessarily gives up the right to keep his communications with his attorney confidential. Such a rule certainly cannot be justified on the basis of waiver. This is not a case in which a party has asserted a claim or defense that explicitly relies on the existence or absence of the very communications for which he claims a privilege. See, e.g., *United States v. Woodall*, 438 F.2d 1317, 1324-26 (5th Cir. 1970), cert. denied, 403 U.S. 933, 91 S.Ct. 2262, 29 L.Ed.2d 712 (1971). A defendant who relies on *Noerr-Pennington* merely denies the existence of an antitrust violation. Cf. Areeda, at 4 (The "doctrine is in part an 'exception' or 'immunity' from normal antitrust principles . . . but it principally reflects the absence of any antitrust violation to start with."). Accordingly, a plaintiff attempting to make an antitrust case based on conduct that involves

---

findings in the case. At the time he submitted his report, the special master indicated his desire to receive comments and objections from the parties before preparing his final opinion. The parties submitted their objections but the master resigned his position before he could act on them. It appears, therefore, that the special master's report was only a preliminary one.

lobbying or litigation bears the burden to show that such activity is not protected petitioning but a sham. *Coastal States*, 694 F.2d at 1372 n.46; *Mohammad*, 586 F.2d 543. We do not see how it can be said that the railroads waived their privilege when it is ETSI who filed this lawsuit and who seeks to rely on attorney/client communications and work product to prove its claim.

Nor do we perceive any other basis for abrogating the railroads' privilege. *Noerr-Pennington* is based on the principles that individuals have a right to petition government and that government has a need for the information provided by such petitioning. As we noted earlier in this opinion, the protection afforded by the attorney/client privilege furthers these principles. Under the rule ETSI suggests, whenever a competitor files a lawsuit alleging that some earlier petitioning was a sham and the defendant denies the allegation, the defendant would lose his privilege. This result would be inconsistent with both *Noerr-Pennington* and the attorney/client privilege. Attorney/client documents may be quite helpful in making out a claim of sham, but this is not a sufficient basis for abrogating the privilege.

## VII

### Conclusion

To recapitulate, we hold:

1. Even if prior litigation was part of an overall conspiracy which itself violated antitrust law, *Noerr-Pennington* requires a prima facie finding that the particular litigation was a sham to warrant discovery of documents initially protected by the attorney/client privilege or work product immunity.
2. The litigation was a sham, and the documents subject to discovery, if the litigation was undertaken without a genuine desire for judicial relief

as a significant motivating factor, or if there was no reasonable expectation of judicial relief, or if there was no reasonable basis for party standing.

3. It is possible for litigation which ultimately succeeds to have been sham.
4. Defensive litigation can be sham.
5. The antitrust suit defendant who raises the *Noerr-Pennington* claim to protect its conduct in prior litigation does not thereby waive the attorney/client privilege or work product immunity.

We conclude that the district court acted improperly in granting ETSI's motion to compel discovery without making a proper factual determination that the individual petitioning activities in which the railroads were engaged were sham. Should ETSI renew its motion to discover the documents for which the railroads have asserted privilege, and if the district court should then conclude that ETSI has made a *prima facie* showing that the litigation—affirmative or defensive—is or was a sham, then at that moment the attorney/client and work product privileges will evaporate so that all material in the litigation will be subject to discovery bearing on further proof or establishment that the litigation is sham. While the material is not available initially to establish a *prima facie* case, once that point is reached, there is nothing in *Noerr-Pennington*, much less in attorney/client or work product, to shield such dramatic evidence from the finder of fact. Any different rule would permit one or all of the testimonial privileges to shield forever dramatic, perhaps even conclusive, proof of exactly what sets aside those privileges under the law.

Upon receipt of this opinion the district judge will, undoubtedly without order from us, promptly vacate his order.

Writ Conditionally GRANTED.

## E. GRADY JOLLY, Concurring in result:

I am pleased to concur in the result reached by the majority in Judge Reavley's very thoughtful opinion. I respectfully dissent to the extent that the majority holds that a lawsuit, reasonably based on fact and law, if improperly motivated, may constitute a sham under the *Noerr-Pennington* doctrine. When we speak of the right to file a lawsuit, we are speaking of rights guaranteed by the Constitution. As is made clear by *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972), the Supreme Court's holding that antitrust laws cannot punish the legitimate use of the courts is grounded upon the first amendment right to petition the government for redress of grievances. *Id.* at 510, 92 S.Ct. at 611. As a general rule, once the right is found to be protected, i.e., a reasonable legal and factual basis for the lawsuit, improper motivation for asserting the right will not defeat constitutional protection, as is illustrated by the Supreme Court's holding that motivation to violate antitrust laws does not vitiate the first amendment right to use the courts for that purpose; only when the assertion is a "sham" is constitutional protection lost. A successful lawsuit is not, and cannot be, constitutionally speaking, a sham upon the courts; neither can any lawsuit unless it *baseless*.

For confirmation of this principle, we need only turn to the Supreme Court's most recent pronouncement on the constitutional right to access to the courts. In *Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731, 103 S.Ct. 2161 (1983), an employer used the state courts to sue his lawfully picketing employees for injunctive relief and monetary damages. The National Labor Relations Board issued a cease and desist order against the employer on grounds that the sole purpose of using the courts was to retaliate against the employees for exercising their protected statutory rights.

Noting that *baseless*-litigation is not immunized by the first amendment right to petition, the Court stated that such considerations "led us in the antitrust context to adopt the 'mere sham' exception in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972). We should follow a similar course under the NLRA." The Court then proceeded to make absolutely clear that the finding of a sham, in order to defeat constitutional protection to use the courts, is two-pronged: first, the lawsuit must be baseless, *and*, second, it must be prosecuted with the intent of retaliating against the employee. This specific two-pronged holding, requiring both improper motivation and a baseless lawsuit, was reiterated throughout the opinion ("improperly motivated suit lacking a reasonable basis, . . . baseless lawsuit with intent of retaliating," 461 U.S. at 744, 103 S.Ct. at 2170; "[r]etaliatory motive and lack of reasonable basis are both essential prerequisites," *id.* at 748, 103 S.Ct. at 2173; "unmeritorious lawsuit for retaliatory purpose," *id.* at 749, 103 S.Ct. at 2173).

Addressing specifically whether a meritorious lawsuit can be a sham, the Court stated: "[I]f the employer's case in the state court ultimately proves meritorious and he has a judgment against the employees, the employer should also prevail before the Board, for the filing of a meritorious lawsuit, even for retaliatory motive, is not an unfair labor practice." *Id.* at 747, 103 S.Ct. at 2172.

After a determination has been made that a lawsuit is *baseless*, the subjective intent of the parties will become relevant in determining whether the initial filing and prosecution of the lawsuit enjoys constitutional protection. In *Bill Johnson's Restaurants, Inc.*, for example, Justice White observed that if the judgment went against the employer in that case, "[t]he employer's suit having proved unmeritorious, the Board would be warranted in taking that fact into account in determining

whether the suit had been filed in retaliation for the exercise of the employees' § 7 rights." *Id.*

Therefore, because I believe that the issue of whether a lawsuit may constitute a sham is controlled by *Bill Johnson's Restaurants, Inc.*, I respectfully dissent from the majority's holding that a lawsuit, grounded upon a reasonable basis in fact and law, may constitute a sham.



APPENDIX B

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
BEAUMONT DIVISION

---

Cause No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, and  
ENERGY TRANSPORTATION SYSTEMS, INC.

vs.

BURLINGTON NORTHERN, INC., *et al.*

---

MEMORANDUM OPINION & ORDER

Plaintiff's Second Motion to Compel Production of Documents (identified as the "Crime-Fraud" Motion) seeks to compel production of certain allegedly privileged documents.<sup>1</sup>

The Motion is Granted.

I. INTRODUCTION

The Court has carefully studied the recommendations of the Special Master<sup>2</sup> relating to Plaintiff's Crime

---

<sup>1</sup> The documents number in the thousands. No argument has been made that the documents are not within the attorney-client privilege or the work product privilege (aside from the crime-fraud exception). The bulk of the documents in question relate to the window litigation, the later administrative proceedings, and the *Andrews* lawsuits.

<sup>2</sup> Special Master John F. Sutton, Jr., A.W. Walker, Jr. Centennial Chair in Law; Professor and Former Dean, The University of Texas School of Law.

Fraud Motion. Additionally, the Court has carefully reviewed the briefs supplied to the Master and the Responses of the parties to the Master's recommendations.

The Court notes that although it did not disagree with the Special Master in regards to the legal analysis, the Court finds that the facts surrounding this controversy force a different focus in light of the applicable case law. Specifically, the Court finds that the conduct of the Defendants throughout the course of the attempted development of the ETSI project constituted *prima facie* anti-competitive conduct. This activity amounted to an overall scheme involving a concerted effort by the defendant railroads to prevent ETSI from competing in the coal shipping business. The question, therefore, becomes whether the attorney/client privilege, reinforced by the exception to the Sherman Act found in *Eastern Railroad Presidents Conference et al. v. Noerr Motor Freight, Inc., et al.*<sup>3</sup> (*Noerr*) and *United Mine Workers of America v. Pennington, et al.*<sup>4</sup> (*Pennington*), should protect discovery of work product and attorney/client communications or whether the crime or fraud exception to the privileges should allow Plaintiff to discover material which was part of the furtherance of that crime or fraud.<sup>5</sup>

## II. SUMMARY OF FACTS AND ISSUES

ETSI, relying on the crime-fraud exception to the privileges, contends that the Defendants used their attorneys to further activities that violated the antitrust laws; therefore, the materials should be discoverable. Defendants counter that the alleged activities were "petitioning" activities and that the *Noerr-Pennington* doctrine shields

---

<sup>3</sup> 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961).

<sup>4</sup> 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965).

<sup>5</sup> The Court, throughout this Order, borrows heavily from the language in the Special Master's Recommended Memorandum Opinion and Order.

Defendants from liability; consequently, making the crime-fraud exception inapplicable. ETSI replies that the “sham” exception to the *Noerr-Pennington* doctrine applies and, additionally, that in any event evidence of use of attorneys in Defendants’ governmental petitioning is admissible because the petitioning was part of an overall, broad conspiracy to violate the antitrust laws. ETSI also asserts that the Court must allow discovery based on an alternative doctrine. By placing the question of a good faith defense at issue by the assertion of the *Noerr Pennington* defense, Defendants waive the attorney/client privilege regarding whether their government petitioning was made in good faith.<sup>6</sup>

Defendants agree<sup>7</sup> that ETSI’s burden, under the crime-fraud exception, is only to make a *prima facie* showing that Defendants consulted with their attorneys for the purpose of furthering a violation of the antitrust laws. “*Prima facie*” in this regard means sufficient evidence to raise an issue of fact.

#### I.A. Background<sup>8</sup>

ETSI wanted to build a coal slurry pipeline of some 1800 miles to carry coal from Wyoming to Arkansas. A project of this magnitude faced numerous obstacles in-

---

<sup>6</sup> Plaintiff’s assertion that the Defendants waived the attorney/client privilege when they asserted the *Noerr-Pennington* defense presents a novel issue of first impression in antitrust litigation in this Circuit. Because this Court holds that the motion to compel is granted on other grounds, the Court declines to apply the “at issue” doctrine to the instant case.

<sup>7</sup> See Defendants’ Response to Plaintiffs’ Supplemental Brief, at 5.

<sup>8</sup> In stating the general facts underlying this motion, the court has borrowed from a statement by Defendants, with some amplification. See Defendant’s Response to Plaintiffs’ Supplemental Brief, at 5-7.

cluding marketing, financing, and right of way. For example, it needed to cross the property of a number of railroads as well as the land of ranchers and other interests. In the early days of its project, ETSI approached all of the affected railroads on a coordinated basis to request numerous crossing permits and sought an immediate response to its crossing requests. All but one of the railroads denied the requests.

The project also required a great supply of water to be secured from deep wells in Wyoming and the Oahe Reservoir in South Dakota. In the beginning, Arkansas Power & Light, now a party, was envisioned as the project's customer, but others, including Houston Lighting and Power, were added.<sup>9</sup>

As a result of the railroads' refusal to allow ETSI the requested crossing rights, ETSI was forced to turn to another plan which it hoped would provide an alternative to the crossing rights. ETSI purchased easements from landowners which would allow it to construct pipelines at various points underneath existing railroad easements. These easements were called windows. ETSI initiated a litigation program which included over 60 suits filed against the railroads in the courts of several states. The litigation program resulted in state court findings that ETSI's window easements gave it the right to build its pipeline under the railroads' easements. By ETSI's admission, this litigation program was carefully planned to establish a network of precedents that could be used not only against the individual railroad defendant but against all other western railroads as well. This litigation program was the direct result of the Defendants intentional and coordinated efforts to prevent the pipeline project from succeeding. But for the railroads' bad faith actions, the litigation would not have occurred.

---

<sup>9</sup> Houston Lighting and Power has filed a motion to intervene in this litigation.

Simultaneously, ETSI was pursuing a major campaign to obtain legislation from state and federal governments giving coal slurry pipelines eminent domain power to condemn private property that it proposed to cross, including property of railroads, ranchers and other interests. The affected railroads coordinated their defenses of the many lawsuits brought by ETSI, and they worked together in lobbying at the state and federal levels. As noted above, this activity which was part of a major, full scale, campaign was designed to block the coal slurry pipeline. This coordinated effort, which was initiated by the railroads at the early stages of the ETSI project, included efforts to deny ETSI rights of way easements, water rights, rights of condemnation; all of which were calculated to block the ETSI project. The railroads worked together and coordinated each phase of the campaign and developed strategy on how to most effectively prevent the pipeline from being constructed.

Later, after ETSI had secured crossing rights from the railroads as a result of the litigation program, certain railroads participated in some administrative proceedings in which ETSI sought environmental and other authorizations to construct its pipeline. Two of the railroads also were involved—one as a party but the second only indirectly through assistance given to the State of Nebraska—in the *Andrews* lawsuits in which the authorization granted ETSI by the Department of Interior for use of certain waters was found to be improper.

ETSI later abandoned its coal slurry project, allegedly as a result of the antitrust actions of the railroads. ETSI instituted this litigation on September 9, 1984 against the defendant railroads.<sup>10</sup>

---

<sup>10</sup> The Defendant railroads against whom this motion was filed are Burlington Northern Railroad, Union Pacific, Chicago & North Western, Kansas City Southern Railway, and Missouri Pacific Railroad Company. Added as a party subsequent to this motion is the Atchison, Topeka and Santa Fe Railroad.

*I.B. Issues*

The questions this Court must consider is (a) whether the attorney/client and work product privileges apply to the documents in question and (b) whether the crime or fraud privilege excepts those documents from the protection of the attorney/client and work product privileges. The Court also must consider whether the *Noerr-Pennington* defense can operate as a shield to prevent discovery and, consequently, whether an exception to petitioning immunity such as the sham exception or the overall scheme exception removes the *Noerr* shield.

The applicability of the work product and attorney/client privileges is not at issue. The parties do not dispute that the privileges apply to the documents in question. Therefore, the relevant inquiry this Court must explore is whether the crime fraud exception requires this Court to allow discovery and whether that exception is limited by the *Noerr-Pennington* antitrust defense.

ETSI argues that it has presented prima facie evidence that the conduct of Defendants throughout the window litigation program, the Andrews cases and the permitting process was in furtherance of an overall scheme of crime or fraud to violate antitrust laws and prevent ETSI from succeeding in the development of the coal slurry pipeline program.

In response, Defendants argue that the *Noerr-Pennington* doctrine provides immunity because the activities related to the window suits, the Andrews litigation and the permitting process constituted governmental petitioning and, consequently, the documents remain privileged. ETSI counters the *Noerr-Pennington* defense with the contention that the petitioning activities of Defendants, both in court and before administrative bodies, in fact constituted a "sham" within the meaning of the sham exception to that defense. Defendants contest the "sham petitioning" position of ETSI on the basis that ETSI cannot



make a *prima facie*<sup>11</sup> showing of sham. Defendants aver that a sham exception could not be shown even if part of the motive had been to stop or delay the ETSI project, because at least a part of the motivation was to obtain a result from a tribunal or governmental unit. "As long as a 'genuine desire for judicial relief' is a motivating factor for a litigation position, such action is immune from antitrust challenge."<sup>12</sup>

The Court, in a departure from the Special Master's Recommendations, holds that the inquiry should focus on the core question of whether the crime or fraud exception applies. Plaintiff's motion does not seek to test the strength or viability of Defendants' *Noerr-Pennington* defense; nor does it provide an opportunity for Defendants to set the groundwork for a motion for summary judgment on their defense. Although the viability of the *Noerr* defense and the sham exception to that defense are important to Plaintiff's substantiating *prima facie* proof of a crime or fraud, the Court holds that based on a finding of a broad, overall scheme, the crime fraud exception provides an independent ground to warrant discovery of the protected material. Additionally, the Court finds that if the *Noerr* doctrine does apply to shield a

---

<sup>11</sup> ETSI has the burden of showing *prima facie* evidence of a sham; see *Coastal States Marketing, Inc. v. Hunt* 694 F.2d 1358, 1373 (5th Cir. 1983).

<sup>12</sup> Defendants' Response to Plaintiffs' Supplemental Brief, at 13, citing *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1372 (5th Cir. 1983). Defendants state that ETSI has not met its burden because the evidence shows that a desire for governmental relief is at least one of Defendants' motives, even though additional motives may have been to delay or to make a governmental agency reconsider its work, citing Meyer, A Standard for Tailoring *Noerr-Pennington* Immunity More Closely to the First Amendment Mandate, 95 Yale L.J. 832, 837 (1986): "[I]t is impossible to characterize petitioning that is intended to produce these harmful results as 'sham' activity when petitioners are also genuinely seeking a governmental response."



limited portion of the overall conspiracy, the Plaintiffs have met its burden in showing an exception to *Noerr* through the sham exception and the overall scheme exception.

The central issue to be determined, therefore, is whether the crime or fraud exception removes the shield of the privileges.<sup>13</sup> The Court also considers whether the *Noerr* doctrine applies to prevent discovery and whether Plaintiff has presented sufficient proof to show an exception to this doctrine of petitioning immunity.

### III. EVIDENTIARY BURDENS

Defendants, as claimants of the privilege, have the initial burden to show that each document in question falls within the attorney/client privilege or the work product privilege.<sup>14</sup> ETSI, seeking to apply the crime-fraud exception, has the burden of showing *prima facie* that the services of Defendants' lawyers were used by defendant railroads in furtherance of a crime or fraud<sup>15</sup>—namely an antitrust violation. Defendants then have the burden to show that the petitioning activities were not part of the overall scheme.

In regards to the applicability of *Noerr-Pennington*, Defendants, having raised the *Noerr-Pennington* defense, must show that the activities complained of consisted of

---

<sup>13</sup> The Special Master focused on the issue of *Noerr-Pennington* as a shield to the crime-fraud exception, exploring the substantive analysis of the *Noerr* doctrine. "(T)wo major issues of law are: first, the nature and scope of the *Noerr-Pennington* doctrine; and, second, the nature and scope of the "sham" exception to that doctrine." Special Master's Recommended Memorandum Opinion and Order at 4.

<sup>14</sup> As the Court noted above, this issue is uncontroverted at this point. The Court notes, however, that ETSI is not precluded from asserting that the privilege does not apply to specific documents.

<sup>15</sup> See n.22, *infra*. See also discussion at § IV., "Crime or Fraud" Exception, *infra*.

normal petitioning of governmental units.<sup>16</sup> ETSI raises the "sham" and other exceptions to the *Noerr-Pennington* defense, and to sustain its contention must make a *prima facie* showing as to each defendant that a desire for relief was not a part of the defendant's motivation in petitioning.<sup>17</sup>

#### IV. THE "CRIME-FRAUD" EXCEPTION

The crime-fraud exception<sup>18</sup> to the attorney-client privilege, simply stated, is that "communications between an attorney and his/her client in furtherance of the commission of a crime or fraud will not be protected from disclosure under the law."<sup>19</sup> McCormick states that "the privilege does not extend to communications between attorney and client where the client's purpose is the furtherance of a future intended crime or fraud."<sup>20</sup> The crime or fraud exception applies to both the attorney/client privilege as well as the work product privilege.<sup>21</sup>

<sup>16</sup> See § V., *Noerr-Pennington Doctrine*, *infra*.

<sup>17</sup> See § VI., The "Sham" Exception, *infra*.

<sup>18</sup> The ethical precepts regarding privileged communications are not controlling in determining the scope of the crime-fraud exception to the evidentiary privilege, and thus we need not look to either the Texas Code of Professional Responsibility or the A.B.A. Model Rules of Professional Conduct; see *United States v. Ballard*, 779 F.2d 287, 293 (5th Cir. 1986), *cert. denied* 106 S.Ct. 1518 (1986).

<sup>19</sup> *Coleman v. American Broadcasting Companies, Inc.*, 106 F.R.D. 201, 206 (D. D.C. 1985), citing *Clark v. United States*, 289 U.S. 1, 15, 53 S.Ct. 465, 469-70, 77 L.Ed. 993 (1933). See also *In re Grand Jury Proceedings*, 604 F.2d 798 (3rd Cir. 1979).

<sup>20</sup> McCormick, Evidence 229 (3d ed. 1984).

<sup>21</sup> See *In re Grand Jury Proceedings*, 604 F.2d 798 (3rd Cir. 1985); *Lamelson v. Bendix Corp.*, 104 F.R.D. 13 (D. Delaware, 1984); See also *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982) ("Unless the blameless attorney is before the court with an independent claim of privilege, the client's use of an attorney's

Before the privilege is defeated, "courts have held that a *prima facie*, or probable cause, showing that the communications were made in the furtherance of a crime or fraud must be made,"<sup>22</sup> and "mere allegations of wrongdoing or simply naming attorneys as Defendants in litigation is not enough to vitiate the attorney-client privilege."<sup>23</sup> An antitrust violation is sufficient to invoke the crime-fraud exception.<sup>24</sup>

The important intent is that of the client, not that of the lawyer, for the "admissibility of the evidence does not turn on the lawyer's complicity in the wrongful transaction."<sup>25</sup> The parties disagree as to the specificity

---

efforts in furtherance of crime or fraud negates the privilege."). Cf. *In re Special September 1979 Grand Jury (II)*, 640 F.2d 49 (7th Cir. 1980). See generally Annot., 64 ALR Fed. 470, Fraud Exception to Work Product Privilege in Federal Courts (1983). Where the crime-fraud exception is applicable, one need not show "substantial need" to secure production of the attorney's work product; *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982).

<sup>22</sup> *Coleman v. American Broadcasting Companies, Inc.*, supra, n.16 at 207. Accord: *United States v. Ballard*, supra n.18; *In re Grand Jury Subpoenas Duces Tecum*, 773 F.2d 204 (8th Cir. 1985); *United States v. Harrelson*, 754 F.2d 1153 (5th Cir. 1985), cert. denied 106 S.Ct. 277 (1985); *Pritchard-Keang Nam Corp. v. Jaworski*, 751 F.2d 27, 28 (8th Cir. 1984); *United States v. Horvath*, 731 F.2d 557 (8th Cir. 1984); *United States v. King*, 536 F. Supp. 253, 261 (C.D. Cal. 1982).

Expansive definitions of "crime or fraud" have been used by some courts dealing with business related areas such as patent, antitrust or securities litigation. *Coleman v. American Broadcasting Companies, Inc.*, 106 F.R.D. 201, at 208.

<sup>23</sup> *Id.* at 209.

<sup>24</sup> *Pfizer, Inc. v. Lord*, 456 F.2d 545 (8th Cir. 1972); *United States v. AT&T*, 86 F.R.D. 603 (D. D.C. 1979); see *Westinghouse Electric Corp.*, 76 F.R.D. 47, 59 (W.D. Pa. 1977).

<sup>25</sup> *United States v. Ballard*, supra n.18, at 292. Accord: *United States v. Horvath*, 731 F.2d 557 (8th Cir. 1984); *In re Grand Jury Subpoena Duces Tecum Dated 9/15/83*, 731 F.2d 1032 (2nd Cir. 1984); *Ohio-Sealy Mattress Mfg. Co. v. Kaplan*, 90 F.R.D. 21 (N.D. Ill. 1980).

with which the intent of the client must be shown. Logically, a *prima facie* showing has been made if the evidence would support a finding that the client intended conduct which the client knew or reasonably should have known constituted a crime<sup>26</sup> and knowingly used the services of the attorneys in connection with that conduct. It is not necessary to show that the client directed the attorneys to take specific illegal or improper actions—indeed, it is the client's role to determine the purposes of the representation and the lawyer's role to determine the means by which such purposes are to be achieved.<sup>27</sup> On the other hand, one must show more than the mere fact the client engaged in criminal or fraudulent conduct and consulted an attorney before doing so. The problem is an evidentiary problem rather than a mechanical problem susceptible to reduction to a formula. The true test is whether the logical inferences from the available evidence would justify a finding of fact that client's purpose was to use the services of its lawyers in engaging in what the client knew or reasonably should have known to be criminal or fraudulent conduct.

Defendants argue that even if Plaintiff can present *prima facie* evidence of a crime or fraud, their assertion of the *Noerr-Pennington* defense should shield discovery because if the defense is successful, no crime or fraud will have been committed in regards to the specific acts of petitioning.<sup>28</sup> The Court disagrees with this argument. The crime-fraud exception relies on the requirement that

---

<sup>26</sup> Rev. Unif.R.Evid. 502(d)(1) (1974) requires that the client knew or reasonably should have known the act to be a crime or fraud.

<sup>27</sup> Rule 1.2 and Comment 1 to Rule 1.2, A.B.A. Model Rules of Professional Conduct.

<sup>28</sup> The Court finds, however, that even under the *Noerr* doctrine, Plaintiffs have shown that the overall scheme constitutes *prima facie* evidence that the governmental petitioning was a sham. (See discussion below at § VI.).

the party seeking discovery must show that the opponent was engaged in some form of crime or fraud and that the documents sought were used in the furtherance of that conspiracy. To allow the Defendants to use the *Noerr* doctrine to shield a portion of the activities which were a part of the overall conspiracy would be to frustrate the purpose of the crime-fraud exception.

The Defendants, as well as the Special Master, point to persuasive language in the *Pennington* opinion which states that "(s)uch conduct is not illegal, either standing alone or as part of a broader scheme to violate the Sherman Act."<sup>29</sup> Defendants assert that based on this language, Defendants' conduct throughout the course of the conspiracy which was related to litigation or other government petitioning is specially protected by virtue of the *Noerr* doctrine. The Court does not agree with this view of the *Pennington* language. Although *Pennington's* discussion regarding the overall conspiracy scheme could result in a favorable outcome on whether the Defendants are liable for any acts committed during the petitioning,<sup>30</sup> the language does not limit the Court's ability to find that Defendants' activity during the petitioning phase was part of an overall scheme of antitrust violations and is therefore discoverable under the crime-fraud exception. The Supreme Court, in *Pennington*, specifically noted that evidence relating to the petitioning activity could be admitted by the trial court judge under his power to show that the purpose and character of the

---

<sup>29</sup> *Pennington*, 381 U.S. at 670. See also *Feminist Women's Health Center v. Mohammad*, 586 F.2d 530 at 543 (5th Cir.) cert. denied, 444 U.S. 924 (1979). "Whether the action (of the Defendant) can be linked to the alleged conspiracy . . . is irrelevant, for petitioning activity according to *Pennington* 'is not illegal, either standing alone or as part of a broader scheme. . .'"

<sup>30</sup> This question is not now before the Court, nor does the Court take this opportunity to decide on this issue at the present time.

particular transactions under scrutiny.<sup>31</sup> The Fifth Circuit, in *Feminist Women's Health Center v. Mohammad*, elaborated on the question of admissibility of evidence which could not be used to show that participation in an overall conspiracy is linked to government petitioning: "Admissibility, we think, should be governed by a test that weighs the probativeness of and the Plaintiff's need for the evidence against the danger that the admission of the evidence will prejudice the defendant's first amendment rights."<sup>32</sup>

The Antitrust Section of the ABA recently noted that "(c)ourts have generally held that the existence of the *Noerr-Pennington* defense is not a bar to discovery of information relating to attempts to influence governmental action."<sup>33</sup> The Fourth Circuit, in *N.C. Elec. Membership v. Carolina Power and Light*,<sup>34</sup> stated that *Noerr-Pennington* does not apply to discovery. The Second Circuit, in *Assoc. Container Transp./ (Australia) Ltd. v. U.S.*,<sup>35</sup> found that discovery should be allowed even though the party resisting discovery had claimed immunity under *Noerr*.

The Court holds that a similar analysis should be employed in the instant case. The issue this Court must decide, as noted earlier, is not whether the discovery materials will be admissible, but whether the Court should allow discovery of materials which were within

---

<sup>31</sup> *Pennington*, 671 U.S. at 670-671.

<sup>32</sup> 586 F.2d at 543. In the *Feminist* case, the Circuit Court found that the evidence was cumulative and otherwise weak regarding the state of mind of another party, therefore the evidentiary value to the Plaintiffs in that litigation was outweighed by the Defendant's first amendment rights.

<sup>33</sup> ABA Antitrust Section, *Antitrust Law Developments* 2nd ed. 1984 at 619.

<sup>34</sup> 666 F.2d 50 at 52-53 (4th Cir. 1981).

<sup>35</sup> 705 F.2d 53 (2nd Cir. 1983).



the scope of the overall scheme of conspiracy. Whether the Defendants will succeed in preventing the admission of the evidence in regards to liability for petitioning conduct is not central to the issue, as the *Pennington* and *Feminist Women's Center* courts noted. The issue of whether the evidence can be shown to prove a violation of antitrust laws does not mean that the evidence is inviolate and protected. The application of the *Noerr* doctrine to the crime-fraud analysis does not limit the Court's ability to find that for the purposes of discovery, and discovery alone, that the prima facie evidence of an overall conspiracy justifies the discovery of materials related to petitioning activities.<sup>36</sup>

In the 7th Circuit's opinion in *Loctite Corp. v. Fel-Pro Inc.*,<sup>37</sup> the Court discussed whether it should limit the attorney/client and work product privileges to allow discovery. The court noted: "... the privileges are not absolute. Where the benefit to the resolution of the suit outweighs the potential injury to the party from whom discovery is sought . . . discovery is required."<sup>38</sup> The Court holds that the policy of the crime-fraud rule is to allow discovery of documents were used in the furtherance of the crime or fraud, notwithstanding whether a portion of that crime or fraud is later found to be protected by doctrine or fact.<sup>39</sup> "Decisions regarding the

---

<sup>36</sup> The Fifth Circuit, in *U.S. v. Dyer*, 722 F.2d 174 at 179 (5th Cir. 1983) noted that In passing that the issue of admissibility of evidence is different from the assertion of privilege, and the court's ruling that material was not subject to the attorney-client privilege does not prevent the trial court from later ruling that it is not admissible.

<sup>37</sup> 667 F.2d 577 at 582 (7th Cir. 1981).

<sup>38</sup> The Court holds that if it should err in this ruling, it is preferable to err on the side of full disclosure, allowing for all the facts to be available to insure a fair and complete resolution of this dispute.

<sup>39</sup> The work product doctrine, for instance, is not based on the same policy principles underlying the petitioning immunity. Work



attorney/client privilege should not be based on a rigid analysis. Rather the focus is on whether the detriment to justice from foreclosing inquiry into pertinent facts is outweighed by the benefits to justice from a franker disclosure in the lawyer's office."<sup>40</sup>

The Court additionally notes that equity forces the Court to allow discovery. Defendants, who forced Plaintiffs into bringing the window lawsuits by anti-competitive acts, should not be allowed to subsequently hide behind the *Noerr* doctrine to prevent discovery of material related to the lawsuits.<sup>41</sup>

#### IV. A. *Evidence of Crime or Fraud*

Based on the evidentiary standard discussed above,<sup>42</sup> ETSI has made a *prima facie* showing that Defendant

product protection is designed to assure that an opposing attorney will remain free from intrusion by his opposing counsel. *Handguards v. Johnson and Johnson*, 413 F. Supp. 926, 929 (N.D. Cal. 1976). The risk of imposition by opposing counsel is non-existent in this case because the work product sought relates to work product in prior litigation which has been completed, therefore there is no danger that it will be used by opposing counsel to 'piggy-back' on the work of the attorney seeking to protect the materials.

<sup>40</sup> *Pritchard-Keang Nam Corp. v. Jaworski*, 751 F.2d 277 at 284 (Eighth Cir. 1984), citing C. McCormick, *McCormick on Evidence* § 87, at 205 (E. Cleary 3rd ed. 1984). The Court did not allow discovery, finding that the benefit from allowing discovery was not outweighed by the effect on attorney-client relations. This Court finds that in the instant case, the benefits of allowing full discovery outweigh any effects on attorney-client relations.

<sup>41</sup> See also *Handguards Inc. v. Johnson and Johnson*, 69 F.R.D. 451 at 454 (N.D. Cal. 1975). Judge Orrick stated that he "believes that the less expansive view of the scope of the privilege expressed in the *Zenith* line of cases is more in keeping with the policy of full disclosure under the liberal discovery rules of the Federal Rules of Civil Procedure."

<sup>42</sup> The "use of attorney" test of *In re International Systems & Controls Corp.*, 693 F.2d 1235 (5th Cir. 1982), if it differs from the standard just stated herein, has been met by ETSI's *prima facie* evidence.

railroads used the services of their lawyers in engaging in what they knew or reasonably should have known to be anticompetitive conduct in violation of antitrust laws. In fact, the evidence shows *prima facie* extensive use by all railroads of the lawyers' services in unified opposition to ETSI's project. The evidence demonstrates that the attorneys frequently were consulted, were asked for opinions, participated in meetings, and were generally involved in or participated in efforts to delay or oppose ETSI's coal slurry project. While the evidence is more directly related to Burlington Northern, Chicago & North Western, KCS, and Union Pacific, the circumstantial evidence, including patterns of distribution of copies of documents and other patterns, shows *prima facie* that all Defendant railroads knowingly used their attorneys sufficiently to invoke the crime-fraud exception to the privilege. Plaintiff has produced *prima facie* evidence that each of the five railroads combined to engage in anticompetitive activities or to participate with others to restrain competition by ETSI, including such activities as collectively denying crossing rights,<sup>43</sup> defending window litigation, opposing grants by administrative agencies of governmental permits, and using delaying tactics in activities allied with opposition to the governmental grants, all of which constitute a crime part of the overall criminal and/or fraudulent conspiracy. These activities, unless protected by the *Noerr-Pennington* defense, constitute antitrust violations.<sup>44</sup> For example, there is a *prima facie*

<sup>43</sup> See, e.g., Attachment 39, Plaintiffs' Memorandum in Support.

<sup>44</sup> See, for example, attachments 3, 4, 7, 8, 9, 13, 15, 16, 19, 20, 21, 22, 23, 25, 27, 28, 30, 31, 32, 34, 35, 37, 39, 40, 41, 51, 55, 56, 60, 63, 64, 66, 67, 68, 69, 73, 77, 81, 83, 88, 97, 111, 116, 122, 123, 124, 125, 127, 128, 133, 134, 148, 155, 161, 162, 163, 169, 170, 172, 180, 182, 193, and 195, Plaintiffs' Memorandum.

Cf. *Park v. El Paso Board of Realtors*, 764 F.2d 1053 (5th Cir. 1985), cert. denied 106 S.Ct. 884 (1985); *Belts Travel Service, Inc. v. International Air Transport Ass'n.*, 620 F.2d 1360 (9th Cir. 1980); *Gainesville Utilities Dept. v. Florida Power & Lt.* 573 F.2d 292 (5th Cir.), cert. denied 439 U.S. 966 (1978).

showing that Burlington Northern, Union Pacific, and Chicago & North Western conspired to deny crossing permits to ETSI,<sup>45</sup> wholly aside from the Defendants' petitioning activities in defending against ETSI's window lawsuits. The ETSI project, if completed, would have been a strong competitor in the transportation of coal.

The *prima facie* evidence also shows that the Defendant railroads engaged in a coordinated effort which was calculated to delay and frustrate ETSI's efforts by any means, including petitioning the Courts. The Court is persuaded that ETSI has presented ample evidence to show that this conspiracy was active throughout the entire period of the window lawsuits, the Andrews litigation and the permitting requests. ETSI accurately stresses that a *prima facie* case of use of their attorneys by the railroads to further antitrust activities has been shown by the "blind copies" used by the railroads among themselves, by the pattern of similar activities by the several railroads, and by other exhibits produced by ETSI. While the main activities in regard to administrative permits allegedly were carried out by Kansas City Southern ("KCS") and by Brown & Roady (said by ETSI to have taken the lead in connection with environmental issues), the other railroads, ETSI alleges, cannot disassociate themselves from those activities because there was a conspiracy and because the other railroads were involved in the overall scheme.

Viewing all of ETSI's evidence as a whole, the Court finds that ETSI has met its burden and shown *prima facie* evidence of a combination or conspiracy to delay and obstruct ETSI and lessen its ability to compete and that the conduct of the Defendants in their defense of the window suits, the *Andrews* litigation and the per-

---

<sup>45</sup> See, e.g., attachments 287 and 288, Plaintiffs' Second Supplemental Memorandum, and Attachment 30, ETSI Crime-Fraud Memo.

mitting process were a part of and in furtherance of this conspiracy.

## V. NOERR-PENNINGTON DOCTRINE

The *Noerr-Pennington* doctrine, derived from *Eastern R. Conf. v. Noerr Motor Freight* and *United Mine Workers of America v. Pennington, et al* provides antitrust immunity for all petitions seeking governmental action, even if the petitioning of the government injures competition. The doctrine fostered by *Noerr* essentially provides that all activities within the normal scope of petitioning which represent attempts to secure anticompetitive governmental responses are exempt from antitrust liability.<sup>46</sup> This immunity principle has been extended to petitioning of administrative agencies and courts.<sup>47</sup> The immunity applies to petitioning not only of federal but also of state and local officials.<sup>48</sup>

The only issue of fact under *Noerr-Pennington* is whether the activities in question were a normal form of petitioning. But what constitutes petitioning? This distinction must be made. Joint efforts and activities either to prepare for or to engage in direct or formalized contact with a legislative body, an administrative agency, or a tribunal, constitutes "petitioning" if the efforts and activities involve only those who, in fact, do contact, appear before, or in a proper manner attempt directly

---

<sup>46</sup> Meyer, A Standard for Tailoring *Noerr-Pennington* Immunity More Closely to the First Amendment Mandate, 95 Yale L.J. 832, 934 (1986).

<sup>47</sup> *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510, 92 S.Ct. 609, 611, 30 L.Ed.2d 642 (1972). See also Meyer, *supra* n.46 at 834.

<sup>48</sup> *Independent Taxicab Drivers' Employees v. Greater Houston Transp. Co.*, 760 F.2d 607, cert. denied 106 S.Ct. 231 (1985); *Interstate Properties v. Pyramid Co. of Utica*, 586 F. Supp. 1160 (S.D. N.Y. 1984); *United States Football League v. National Football League*, 634 F. Supp. 1155 (S.D.N.Y. 1986).

to influence the agency. In contrast, similar efforts and activities to encourage other entities and individuals to attempt to influence the administrative agency or other governmental unit do not constitute "petitioning" when such other persons or organizations do not, in fact, contact, appear before, or directly attempt to influence the agency and, therefore, such actions are not entitled to immunity.

## VI. THE "SHAM" EXCEPTION

The key to the sham exception is whether "a genuine desire for judicial [or other governmental] relief is a significant motivating factor underlying the suit [or other petitioning]." <sup>49</sup> If no such genuine desire exists, or, as sometimes stated, if the only intent is to injure by beginning the petitioning, the petitioning is a sham. <sup>50</sup>

---

<sup>49</sup> See *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1372 (5th Cir. 1983), which dealt only with judicial petitioning. The sham exception applies when it is shown that the motive was "the intent to harm one's competition not by the result of the litigation but by the institution of litigation." *City of Gainesville v. Florida Power & Lt. Co.*, 1488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980).

<sup>50</sup> The authorities have not always clearly separated the elements of the *Noerr-Pennington* defense from the elements of the sham exception to that defense, even though the courts have recognized there is a separate burden of making a *prima facie* showing for each. The gist of the ETSI argument, although not so stated expressly, is that to make a *Noerr-Pennington* defense one must show that the petitioning was made with a "genuine desire" for governmental relief, and that the often recognized "sham exception" is not an exception at all but merely an inferential rebuttal of the *Noerr-Pennington* defense, with no burden of proof being placed on the party alleging that the petitioning was a sham. On balance, however, the decisions seem clearly to contemplate that the "sham exception" is actually an exception and not merely an inferential rebuttal to or an element encompassed within the *Noerr-Pennington* defense. Rather it is truly an exception to be alleged and shown in order to avoid the defense. Accordingly, the burden of making a *prima facie* showing of the elements of the sham exception necessarily falls on ETSI, the one asserting the sham exception, while

Whether a *prima facie* showing of sham has been made is a question of fact.

#### VI. A. Sham Litigation

Sham petitioning, insofar as litigation is concerned, requires an "intent to harm one's competitors not by the result of the litigation, but by the institution of the litigation."<sup>51</sup> One court has said that a "sham pleading is one which is good in form, but false in fact."<sup>52</sup> Thus, a sham petition in litigation is akin to a knowing assertion of a frivolous claim or defense<sup>53</sup> with the ulterior motive of harming one's competitors. In short, petitioning is a sham if the petitioning is done for the purpose of hurt-

---

the Defendants relying on the *Noerr-Pennington* defense do not have the burden of negating the "sham exception." Cf. *Coastal States Marketing, Inc. v. Hunt*, supra n.11, at 1373 stating that only after Defendant has met its burden of making the appropriate "showing would the burden shift back to the Plaintiff to show sham" (emphasis added); *Feminist Women's Health Center v. Mohammad*, 586 F.2d 530, 543, cert. denied 444 U.S. 924 (1979) ("The *Noerr* doctrine presents no bar if the Plaintiff proves that the petitioning was not a genuine effort to influence public officials to take governmental action").

<sup>51</sup> *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980). See also *Greenwood Utilities v. Mississippi Power Co.*, 751 F.2d 1484, 1498 (5th Cir. 1985) ("vexatious litigation").

<sup>52</sup> *I.T.T. v. United Tel. Co. of Fla.*, 60 F.R.D. 177, 184 (M.D. Fla. 1973).

<sup>53</sup> Compare DR 7-102 (A)(1), Texas Code of Professional Responsibility ("C.P.R."); cf. Rule 4.4, A.B.A. Model Rules of Professional Conduct. A claim or defense in a lawsuit is not necessarily baseless even if it does not prevail upon trial, because it is permissible to assert a claim or defense not warranted under existing law if the claim or defense "can be supported by good faith argument for an extension, modification, or reversal of existing law." DR 7-102(A)(2). See also EC 7-4, C.P.R. and EC 7-3, C.P.R. ("While serving as advocate, a lawyer should resolve in favor of his client doubts as to the bounds of the law").



ing the competitor by the very fact of initiation of the petitioning without a desire to prevail on the petition.<sup>54</sup>

Additionally, the sham exception may be substantiated through proof of baseless or repeated claims. "One claim, which a court or agency may think is baseless, may go unnoticed, but a pattern of baseless, repetitive claims may emerge which leads the factfinder to conclude that the administrative and judicial processes have been abused."<sup>55</sup>

The Court finds, as noted above, that the overall scheme of conspiracy between the Defendant railroads pervaded throughout the conduct of the governmental petitioning. Plaintiff has presented sufficient *prima facie* proof to support its allegation that the governmental petitioning was an integral part of the concerted railroad effort to prevent ETSI from succeeding in its pipeline project. This connection, the Court finds, taints the entire petitioning process with sham. The Defendants' participation in the litigation and administrative proceedings, even though partially successful,<sup>56</sup> was part of an all overall scheme which was in violation of antitrust laws and not in good faith. Therefore, the Defendants were not engaged in a bona fide effort to secure governmental action.<sup>57</sup>

---

<sup>54</sup> Compare *California Motor Transport v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972).

<sup>55</sup> *California Motor Transport*, supra n.54 at 513, see also, *Greenwood Utilities v. Mississippi Power Co.*, 751 F.2d at 1498: "While the precise contours of these exceptions are as yet ill-defined, there appears to be agreement that . . . vexatious litigation . . . (is a) sham activity . . ."

<sup>56</sup> The Railroads were successful in the *Andrews* litigation.

<sup>57</sup> See generally, *Greenwood Utilities*. The Court also points, as noted above, that the nexus of the window suits was the result of the bad faith conduct of the Defendants; but for the bad faith actions of the Defendants, much of the petitioning never would have occurred.



The Court is not persuaded by Defendants' assertion that the litigation was not part of an overall conspiracy. The exhibits noted above and the pattern of events preceding the instigation of this lawsuit provide a clear indication that the railroads very early realized the potential effect a coal transport competitor would have on the rail industry. This realization caused the railroads to join together in an illegal conspiracy and, in bad faith, to stop ETSI by whatever means, including through governmental actions.

The sham exception, consequently, results in the documents falling under the crime or fraud exception and, therefore, the attorney/client privilege does not apply.

#### VII. OVERALL SCHEME EXCEPTION TO NOERR-PENNINGTON

Various courts have also recognized other exceptions to the *Noerr-Pennington* petitioning immunity which provide a basis for allowing discovery under the crime or fraud standard.

The recent decision in *Clipper Express v. Rocky Mountain Motor Tariff Bureau*,<sup>58</sup> outlined an exception to petitioning immunity based on an 'overall scheme' concept:

. . . (W)e hold that when there is a conspiracy prohibited by the antitrust laws, and the otherwise legal

---

<sup>58</sup> 674 F.2d 1252 at 1273 (9th Cir.) *cert. denied* 459 U.S. 1227 (1983). Judge Posner, in *Grip-Pak, Inc. v. Illinois Tool Works Inc.*, 694 F.2d 466 at 472 (7th Cir. 1982), stated that "the line is crossed (of petitioning immunity), when his purpose is not to win a favorable judgment against a competitor but to harass him and deter others, but the process itself—regardless of the outcome—of litigating." The Court held that a non-malicious lawsuit can violate anti-trust law.

litigation is nothing but an act in furtherance of that conspiracy, general antitrust principles apply, notwithstanding the existence of the *Noerr* immunity. In so holding, we are acting consistently with the theoretical underpinnings of the *Noerr* doctrine. When . . . the petitioning activity is but a part of a larger overall scheme to restrain trade, there is no overall immunity.

The line of cases beginning with *Kobe v. Dempsey Pump Co.*<sup>59</sup> provides an alternative avenue for antitrust liability, the overall scheme exception. The *Kobe* decision has been implicitly recognized in this Circuit in *Coastal States Marketing*.<sup>60</sup> The Court, in *Coastal*, described the doctrine:

This exception from petitioning immunity (overall scheme) dates at least from *Kobe, Inc.* . . . The theory of these cases is that good faith, even successful, litigation brought in the furtherance of an "overall scheme" to violate the antitrust laws is not entitled to immunity. Each of the cases applying the "overall scheme" theory involved circumstances unlawful even apart from the litigation.

The Court finds, based on the analysis of the evidence discussed above, that Defendants were engaged in an overall scheme to violate antitrust laws, consequently, the overall scheme of the conspiracy obviates the petitioning immunity.

---

<sup>59</sup> 198 F.2d 416 (10th Cir.) cert. denied 344 U.S. 837, 73 S.Ct. 46, 97 L.Ed.2d 651 (1952). *Rex Chainbelt, Inc. v. Harco Prods., Inc.*, 512 F.2d 993, 1004-07 (9th Cir. 1975), see also *Handguards v. Ethicon, Inc.*, 601 F.2d 986 at 990 (9th Cir. 1979), *Mach-Tronics, Incorporated v. Zirpoli*, 316 F.2d 993 (9th Cir. 1975), *Prelin Industries, Inc. v. G & G. Crafts, Inc.*, 357 F. Supp. 52 (W.D. Okl. 1975).

<sup>60</sup> 694 F.2d 1358, 1371 (5th Cir. 1983). The Court, in a footnote distinguished *Coastal* from *Kobe*.

### VIII. ALTERNATIVE WORK PRODUCT REQUESTS

ETSI seeks, wholly aside from the crime-fraud contentions, to discover certain documents for which the work product privilege is claimed. The position of ETSI that such documents are discoverable rests on two theories: (1) the work product privilege does not apply to documents of a factual nature (as distinguished from documents reflecting a lawyer's mental impressions) in cases subsequent to the case in connection with which the document was prepared; (2) documents reflecting a lawyer's mental impressions are discoverable under the "substantial need" rule when the legal advice is in issue in the lawsuit. In ordering discovery on other grounds, the Court finds no reason to pass on this ground.<sup>61</sup>

### IX. SCOPE OF ORDER

This Order relates, of course, only to the questions whether there has been a *prima facie* showing of a crime or fraud through conduct in violation of antitrust laws and whether there is *prima facie* proof of sham petitioning sufficient for discovery of documents claimed to be privileged. The findings and decisions herein are not rulings upon admissibility of documents that may be discovered<sup>62</sup> and in no way impinge upon the determination of any issues of fact upon trial.

### X. IN CAMERA INSPECTION

Defendants are not precluded from arguing that specific documents are not discoverable in that they are not

---

<sup>61</sup> The Court is inclined to agree with the Special Master that ETSI cannot show a substantial need at this stage of this litigation, for much discovery—including that granted by this Order—remains to be done.

<sup>62</sup> Compare *United States v. Dyer*, 722 F.2d 174, 178 (5th Cir. 1983); *In re A.H. Robins Co.*, 107 F.R.D. 2 (D. Kan. 1985).

related to the crime or fraud which forms the basis of the exception to the privileges. Defendants, if they have a good faith basis for asserting such a claim, may present specific documents to the Court for in camera inspection so that the Court may determine whether the documents are related to the crime or fraud and are, therefore, discoverable.

### ORDER

The Motion to Compel Production of Documents (Crime-Fraud) is Granted in regards to the following documents:

(1) Documents relating to Defendant railroads collectively denying or delaying crossing rights to ETSI including documents relating to the window litigation.

(2) Documents relating to participation by KCS, other railroad Defendants, and Brown & Roady in petitioning federal, state, and local administrative agencies in regard to permits and authorizations sought by ETSI.

(3) Documents relating to activities on the part of Burlington Northern, Union Pacific, KCS and other Railroad Defendants in opposing the grant by federal, state, and local administrative agencies of permits and authorizations sought by ETSI.

(4) Documents relating to the *Andrews* litigation.

SIGNED and ENTERED on this the 13th day of February, 1987.

/s/ Robert M. Parker  
ROBERT M. PARKER  
United States District Judge

APPENDIX C

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
BEAUMONT DIVISION

---

Civil Action No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND  
ENERGY TRANSPORTATION SYSTEMS, INC.,  
*Plaintiffs,*

vs.

BURLINGTON NORTHERN, INC., *et al.*,  
*Defendants.*

---

MEMORANDUM OPINION & ORDER

Plaintiffs' Second Motion to Compel Production of Document (identified as the "Crime-Fraud" Motion) seeks to compel production of certain allegedly privileged documents<sup>1</sup> on the ground that Plaintiffs ("ETSI") have made a *prima facie* showing, sufficient to invoke the crime-fraud exception, that defendant railroads consulted their attorneys in furtherance of violations of Section 1 of the Sherman Act

The Motion is Denied in part and Granted in part.

I. Summary of Facts and Issues

ETSI, relying on the crime-fraud exception to the privileges, contends that the defendants used their attorneys

---

<sup>1</sup> The documents number in the thousands. No argument has been made that the documents are not within the attorney-client privilege or the work product privilege (aside from the crime-fraud exception), and the documents are not being examined individually or in camera at this time; ETSI is not precluded from raising such issue later on.

to further activities that violated the antitrust laws. Defendants counter that the alleged activities were "petitioning" activities and that the *Noerr-Pennington* doctrine prevents such activities by defendants from being a violation of antitrust laws, thereby making the crime-fraud exception inapplicable. ETSI replies that the "sham" exception to the *Noerr-Pennington* doctrine applies and, additionally, that in any event evidence of use of attorneys in defendants' governmental petitioning is admissible because the petitioning was part of an overall, broad conspiracy to violate the antitrust laws. Certain other issues, including waiver, are joined by the parties.

Defendant agrees<sup>2</sup> that ETSI's burden under the crime-fraud exception is only to make a *prima facie* showing that defendants consulted with their attorneys for the purpose of furthering a violation of the antitrust laws; "*prima facie*" in this regard means sufficient evidence to raise an issue of fact.

In stating the general facts underlying this motion, the court has borrowed heavily from but amplified a statement by defendants.<sup>3</sup>

ETSI wanted to build a coal slurry pipeline of some 1800 miles to carry coal from Wyoming to Arkansas. A project of this magnitude faced numerous obstacles including marketing, financing, and right of way. For example, it needed to cross the property of a number of railroads as well as the land of ranchers and other interests. In the early days of its project, ETSI approached all of the affected railroads on a coordinated basis to request numerous crossing permits (even though its pipeline route had not been precisely determined) and sought

---

<sup>2</sup> See Defendants' Response to Plaintiffs' Supplemental Brief, at 5.

<sup>3</sup> See Defendant's Response to Plaintiffs' Supplemental Brief, at 5-7.



an immediate response to its crossing requests. All but one of the railroads denied the requests. The project also required a great supply of water, to be secured from deep wells in Wyoming and the Oahe Reservoir in South Dakota. In the beginning, Arkansas Power & Light, now a party, was envisioned as the project's customer, but others, including Houston Power & Light, were added.

ETSI later initiated a litigation program, the window litigation, including over 60 suits filed against the railroads in the courts of several states. By ETSI's admission, this litigation program was carefully planned to establish a network of precedents that could be used not only against the individual railroad defendant but against all other western railroads as well. Simultaneously, ETSI was pursuing a major campaign to obtain legislation from state and federal governments giving coal slurry pipelines eminent domain power to condemn private property that it proposed to cross, including property of railroads, ranchers and other interests. The affected railroads coordinated their defenses of the many lawsuits brought by ETSI, and they worked together in lobbying at the state and federal levels.

Later, after ETSI had secured crossing rights from the railroads (although not from all of the other landowners), certain railroads participated in some administrative proceedings in which ETSI sought environmental and other authorizations to construct its pipeline. Two of the railroads also were involved—one as a party but the second only indirectly through assistance given to the State of Nebraska—in the *Andrews* lawsuits in which the authorization granted ETSI by the Department of Interior for use of certain waters was found to be improper.

ETSI accurately stresses that a *prima facie* case of use of their attorneys by the railroads to further anti-trust activities has been shown by the "blind copies" used

by the railroads among themselves, by the pattern of similar activities by the several railroads, and by other exhibits produced by ETSI. While the main activities in regard to administrative permits allegedly were carried out by Kansas City Southern ("KCS") and by Brown & Roady (said by ETSI to have taken the lead in connection with environmental issues), the other railroads, ETSI alleges, cannot disassociate themselves from those activities because there was a conspiracy and because the other railroads were factually involved.

In response, defendants argue that the *Noerr-Pennington* doctrine provides immunity because the activities constituted governmental petitioning. ETSI counters the *Noerr-Pennington* defense with the contention that the petitioning activities of defendants, both in court and before administrative bodies, in fact constituted a "sham" within the meaning of the sham exception to that defense. Defendants contest the "sham petitioning" position of ETSI on the basis that ETSI cannot make a *prima facie*<sup>4</sup> showing of sham because, defendants state, the evidence shows that a desire for governmental relief is at least one of defendants' motives, even though additional motives may have been to delay or to make a governmental agency reconsider its work.<sup>5</sup> Defendants aver that a sham exception could not be shown even if part of the motive had been to stop or delay the ETSI project, because at least a part of the motivation was to obtain a result from a tribunal or governmental unit. "As long as a 'genuine desire for judicial relief' is a motivating

---

<sup>4</sup> ETSI has the burden of showing *prima facie* evidence of a sham; see *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1373 (5th Cir. 1983).

<sup>5</sup> See Meyer, *A Standard for Tailoring Noerr-Pennington Immunity More Closely to the First Amendment Mandate*, 95 Yale L.J. 832, 837 (1986): "[I]t is impossible to characterize petitioning that is intended to produce these harmful results as 'sham' activity when petitioners are also genuinely seeking a governmental response."

factor for a litigation position, such action is immune from antitrust challenge.”<sup>6</sup>

Even if the petitioning activities of the defendants<sup>7</sup> in connection with the window litigation, the later administrative proceedings, and the *Andrews* lawsuits were motivated by a desire to lessen competition, the *Noerr-Pennington* doctrine prevents the petitioning from being a crime (and therefore prevents application of the crime-fraud exception), unless ETSI makes a *prima facie* showing that the petitioning was a sham. Accordingly, two major issues of law are: first, the nature and scope of the *Noerr-Pennington* doctrine; and, second, the nature and scope of the “sham” exception to that doctrine.

The bulk of the documents in question relate to the window litigation, the later administrative proceedings, and the *Andrews* lawsuits. In part, the evidence of ETSI relates to other issues, such as whether defendants conspired not to grant window crossings.

Wholly aside from the crime-fraud exception, ETSI seeks to discover certain communications for which a work-product privilege is claimed; see § VII, *infra*. II.

### Evidentiary Burdens

Defendants, as claimants of the privilege, have the initial burden to show that each document in question falls within the attorney-client privilege or the work product privilege.<sup>8</sup> ETSI, seeking to apply the crime-

<sup>6</sup> Defendants' Response to Plaintiffs' Supplemental Brief, at 13, citing *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1372 (5th Cir. 1983).

<sup>7</sup> The defendant railroads against whom this motion was filed are Burlington Northern Railroad, Union Pacific, Chicago & North Western, Kansas City Southern Railway, and Missouri Pacific Railroad Company. Added as a party subsequent to this motion is Santa Fe.

<sup>8</sup> This issue as to any particular document is uncontroverted at this time but it is understood that ETSI can raise the issue later; see n.1, *supra*.

fraud exception, has the burden of showing *prima facie* that the services of defendants' lawyers were used by defendant railroads in furtherance of a crime or fraud<sup>9</sup>—namely an antitrust violation. Defendants, having raised the *Noerr-Pennington* defense, must show that the activities complained of consisted of normal petitioning of a governmental unit,<sup>10</sup> whether it be a legislative body, an administrative body, or a court. ETSI raises the “sham” exception to the *Noerr-Pennington* defense, and to sustain its contention must make a *prima facie* showing as to each defendant that a desire for relief was not a part of the defendant's motivation in petitioning.<sup>11</sup>

### III. Evidence of Anti-Trust Violations

The court finds that ETSI has made a sufficient *prima facie* showing that each of the five railroads combined to engage in anticompetitive activities or to participate with others to restrain competition by ETSI, including such activities as collectively denying crossing rights,<sup>12</sup> defending window litigation, opposing grants by administrative agencies of governmental permits, and using delaying tactics in activities allied with opposition to the governmental grants, all of which, unless protected by the *Noerr-Pennington* defense, constitute antitrust violations.<sup>13</sup> For example, there is a *prima facie* showing that

<sup>9</sup> See n.18, *infra*. See also discussion at § IV, “Crime or Fraud” Exception, *infra*.

<sup>10</sup> See § V, *Noerr-Pennington* Doctrine, *infra*.

<sup>11</sup> See § VI, A, The “Sham” Exception, *infra*.

<sup>12</sup> See, e.g., Attachment 39, Plaintiffs' Memorandum in Support.

<sup>13</sup> See, for example, attachments 3, 4, 7, 8, 9, 13, 15, 16, 19, 20, 21, 22, 23, 25, 27, 28, 30, 31, 32, 34, 35, 37, 39, 40, 41, 51, 55, 56, 60, 63, 64, 66, 67, 68, 69, 73, 77, 81, 83, 88, 97, 111, 116, 122, 123, 124, 125, 127, 128, 133, 134, 148, 155, 161, 162, 163, 169, 170, 172, 180, 182, 193, and 195, Plaintiffs' Memorandum.

Cf. *Park v. El Paso Board of Realtors*, 764 F.2d 1053 (5th Cir. 1985), *cert. denied* 106 S.Ct. 884 (1985); *Beltz Travel Service, Inc. v. International Air Transport Ass'n.*, 620 F.2d 1360 (9th Cir.

Burlington Northern, Union Pacific, and Chicago & North Western conspired to deny crossing permits to ETSI,<sup>14</sup> wholly aside from the defendants' petitioning activities in defending against ETSI's window lawsuits. The ETSI project if completed would have been a strong competitor in the transportation of coal. Viewing all of ETSI's evidence as a whole, the evidence is sufficient circumstantial evidence to constitute a *prima facie* showing of a combination or conspiracy to delay and obstruct ETSI and lessen its ability to compete.

#### IV. "Crime-Fraud" Exception

The crime-fraud exception<sup>15</sup> to the attorney-client privilege, simply stated, is that "communications between an attorney and his/her client in furtherance of the commission of a crime or fraud will not be protected from disclosure under the law."<sup>16</sup> McCormick states that "the privilege does not extend to communications between attorney and client where the client's purpose is the furtherance of a future intended crime or fraud."<sup>17</sup> Before the privilege is defeated, "courts have held that

---

1980); *Gainsville Utilities Dept. v. Florida Power & Lt.*, 573 F.2d 292 (5th Cir.), *cert. denied* 439 U.S. 966 (1978).

<sup>14</sup> See, e.g., attachments 287 and 288, Plaintiffs' Second Supplemental Memorandum, and Attachment 30, ETSI Crime-Fraud Memo.

<sup>15</sup> The ethical precepts regarding privileged communications are not controlling in determining the scope of the crime-fraud exception to the evidentiary privilege, and thus we need not look to either the Texas Code of Professional Responsibility or the A.B.A. Model Rules of Professional Conduct; see *United States v. Ballard*, 779 F.2d 287, 293 (5th Cir. 1986), *cert. denied* 106 S.Ct. 1518 (1986).

<sup>16</sup> *Coleman v. American Broadcasting Companies, Inc.*, 106 F.R.D. 201, 206 (D. D.C. 1985), citing *Clark v. United States*, 289 U.S. 1, 15, 53 S.Ct. 465, 469-70, 77 L.Ed. 993 (1933). See also *In re Grand Jury Proceedings*, 604 F.2d 798 (3rd Cir. 1979).

<sup>17</sup> McCormick, *Evidence* 229 (3d ed. 1984).

a *prima facie*, or probable cause, showing that the communications were made in the furtherance of a crime or fraud must be made,"<sup>18</sup> and "mere allegations of wrongdoing or simply naming attorneys as defendants in litigation is not enough to vitiate the attorney-client privilege."<sup>19</sup> The crime-fraud exception applies to the work product privilege as well as to the attorney-client privilege.<sup>20</sup> An antitrust violation is sufficient to invoke the crime-fraud exception.<sup>21</sup>

The important intent is that of the client, not that of the lawyer, for the "admissibility of the evidence does not turn on the lawyer's complicity in the wrongful trans-

---

<sup>18</sup> *Coleman v. American Broadcasting Companies, Inc.*, supra n.16, at 207. Accord: *United States v. Ballard*, supra n.15; *In re Grand Jury Subpoenas Duces Tecum*, 773 F.2d 204 (8th Cir. 1985); *United States v. Harrelson*, 754 F.2d 1153 (5th Cir. 1985), cert. denied 106 S.Ct. 277 (1985); *Pritchard-Keang Nam Corp. v. Jaworski*, 751 F.2d 27, 28 (8th Cir. 1984); *United States v. Horvath*, 731 F.2d 557 (8th Cir. 1984); *United States v. King*, 536 F. Supp. 253, 261 (C.D. Cal. 1982).

Expansive definitions of "crime or fraud" have been used by some courts dealing with business related areas such as patent, antitrust or securities litigation. *Coleman v. American Broadcasting Companies, Inc.*, 106 F.R.D. 201, at 208. Here, the concern is limited to violation of antitrust laws.

<sup>19</sup> *Id.* at 209.

<sup>20</sup> *In re Grand Jury Proceedings*, 604 F.2d 798, 802-03 (3rd Cir. 1979); *Lemelson v. Bendix Corp.*, 104 F.R.D. 13 (D. Del. 1984). See also *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982) ("Unless the blameless attorney is before the court with an independent claim of privilege, the client's use of an attorney's efforts in furtherance of crime or fraud negates the privilege."). Cf. *In re Special September 1978 Grand Jury (II)*, 640 F.2d 49 (7th Cir. 1980). See generally Annot., 64 ALR Fed 470, *Fraud Exception to Work Product Privilege in Federal Courts* (1983). Where the crime-fraud exception is applicable, one need not show "substantial need" to secure production of the attorney's work product; *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982).

<sup>21</sup> *Pfizer, Inc. v. Lord*, 456 F.2d 545 (8th Cir. 1972); *United States v. A.T.&T.*, 86 F.R.D. 603 (D. D.C. 1979); see *Westinghouse Electric Corp.*, 76 F.R.D. 47, 59 (W.D. Pa. 1977).



action.”<sup>22</sup> The parties disagree as to the specificity with which the intent of the client must be shown. Logically, a *prima facie* showing has been made if but only if the evidence would support a finding that the client intended conduct which the client knew or reasonably should have known constituted a crime<sup>23</sup> and knowingly used the services of the attorneys in connection with that conduct. It is not necessary to show that the client directed the attorneys to take specific illegal or improper actions—indeed, it is the client’s role to determine the purposes of the representation and the lawyer’s role to determine the means by which such purposes are to be achieved.<sup>24</sup> On the other hand, one must show more than the mere fact the client engaged in criminal or fraudulent conduct and consulted an attorney before doing so. The problem is an evidentiary problem rather than a mechanical problem susceptible to reduction to a formula. The true test is whether the logical inferences from the available evidence would justify a finding of fact that client’s purpose was to use the services of its lawyers in engaging in what the client knew or reasonably should have known to be criminal or fraudulent conduct.

Based on that evidentiary standard,<sup>25</sup> it appears that ETSI has made a *prima facie* showing that defendant

---

<sup>22</sup> United States v. Ballard, *supra* n.18, at 292. Accord: United States v. Horvath, 731 F.2d 557 (8th Cir. 1984); In re Grand Jury Subpoena Duces Tecum Dated 9/15/83, 731 F.2d 1032 (2nd Cir. 1984); Ohio-Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21 (N.D. Ill. 1980).

<sup>23</sup> Rev. Unif. R. Evid. 502(d)(1) (1974) requires that the client knew or reasonably should have known the act to be a crime or fraud.

<sup>24</sup> Rule 1.2 and Comment 1 to Rule 1-2, A.B.A. Model Rules of Professional Conduct.

<sup>25</sup> The “use of attorney” test of In re International Systems & Controls Corp., 693 F.2d 1235 (5th Cir. 1982), if it differs from the standard just stated herein, has been met by ETSI’s *prima facie* evidence.

railroads used the services of their lawyers in engaging in what they knew or reasonably should have known to be anticompetitive conduct in violation of antitrust laws. In fact, the evidence shows *prima facie* extensive use by all railroads of the lawyers' services in unified opposition to ETSI's project. The evidence indicates that the attorneys frequently were consulted, were asked for opinions, participated in meetings, and were generally involved in or participated in efforts to delay or oppose ETSI's coal slurry project. While the evidence is more directly related to Burlington Northern, Chicago & North Western, KCS, and Union Pacific, the circumstantial evidence, including patterns of distribution of copies of documents and other patterns, shows *prima facie* that all railroads knowingly used their attorneys sufficiently to invoke the crime-fraud exception to the privilege.

This finding of a *prima facie* showing is, however, subject to the *Noerr-Pennington* defense pleaded by defendants; to the extent that such defense is applicable, the defendant railroads did not use their attorneys in engaging in illegal anticompetitive conduct—for such conduct is not shown to be illegal, unless, of course, the sham exception to *Noerr-Pennington*, as pleaded by ETSI, is shown *prima facie* by ETSI.

### V. *Noerr-Pennington* Doctrine

The *Noerr-Pennington* doctrine, derived from *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*,<sup>26</sup> and *United Mine Workers v. Pennington*,<sup>27</sup> provides antitrust immunity for all petitions seeking governmental action, even if the petitioning of the government injures competition. "The doctrine fostered by *Noerr* essentially provides that all activities within the normal scope of petitioning which represent attempts to secure anticom-

<sup>26</sup> 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961).

<sup>27</sup> 381 U.S. 657, 85 S.Ct. 1585, 14 L.ed.2d 626 (1965).

petitive governmental responses are exempt from anti-trust liability.”<sup>28</sup> The immune petitioning may seek governmental action through legislative processes even though the sole motivation is to restrain competition,<sup>29</sup> because the governmental response is sought. This immunity principle has been extended to petitioning of administrative agencies and courts.<sup>30</sup> The immunity applies to petitioning not only of federal but also of state and local officials.<sup>31</sup>

The only issue of fact under *Noerr-Pennington* is whether the activities in question were a normal form of petitioning. But what constitutes petitioning? This distinction must be made: Joint efforts and activities (whether or not anticompetitive) either to prepare for or to engage in direct or formalized contact with a legislative body, an administrative agency, or a tribunal, constitutes “petitioning” if the efforts and activities involve only those who in fact do contact, appear before, or in a proper manner attempt directly to influence the agency. In contrast, similar efforts and activities to encourage

---

<sup>28</sup> Meyer, *A Standard for Tailoring Noerr-Pennington Immunity More Closely to the First Amendment Mandate*, 95 Yale L.J. 832, 834 (1986). Meyer adds a statement that is an excellent test as to whether a particular petitioning is a sham: “Pure petitioning which threatens the competitive process only through the government’s response, and not through the petitioning itself, thus causes no legally cognizable injury, while serving the two interests upon which *Noerr* was predicated.” *Id.* at 834-35.

<sup>29</sup> *Miracle Mile Associates v. City of Rochester*, 617 F.2d 18, 20 (2d Cir. 1980).

<sup>30</sup> *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510, 92 S.Ct. 609, 611, 30 L.Ed.2d 642 (1972). See also Meyer, *supra* n.28 at 834.

<sup>31</sup> *Independent Taxicab Drivers’ Employees v. Greater Houston Transp. Co.*, 760 F.2d 607, *cert. denied* 106 S.Ct. 231 (1985); *Interstate Properties v. Pyramid Co. of Utica*, 586 F. Supp. 1160 (S.D. N.Y. 1984); *United States Football League v. National Football League*, 634 F. Supp. 1155 (S.D. N.Y. 1986).

other entities and individuals to attempt to influence the administrative agency or other governmental unit do not constitute "petitioning" when such other persons or organizations do not in fact contact, appear before, or directly attempt to influence the agency. In the last described situation, such activities are not sufficiently related to the actual petitioning to be within the *Noerr-Pennington* defense, and consequently such activities, if the knowing use of an attorney by a railroad is involved, constitute anticompetitive activities falling within the crime-fraud exception to the two privileges in question.

## VI. The "Sham" Exception

A. *Generally.* The key to the sham exception is whether "a genuine desire for judicial [or other governmental] relief is a significant motivating factor underlying the suit [or other petitioning]." <sup>32</sup> If no such genuine desire exists, or, as sometimes stated, if the only intent is to injure by beginning the petitioning, the petitioning is a sham.<sup>33</sup> Whether a *prima facie* showing of sham has been made is a question of fact.

---

<sup>32</sup> See *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1372 (5th Cir. 1983), which dealt only with judicial petitioning. The sham exception applies when it is shown that the motive was "the intent to harm one's competition not by the result of the litigation but by the institution of litigation." *City of Gainesville v. Florida Power & Lt. Co.*, 1488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980).

<sup>33</sup> The authorities have not always clearly separated the elements of the *Noerr-Pennington* defense from the elements of the sham exception to that defense, even though the courts have recognized there is a separate burden of making a *prima facie* showing for each. The gist of the ETSI argument, although not so stated expressly, is that to make a *Noerr-Pennington* defense one must show that the petitioning was made with a "genuine desire" for governmental relief, and that the often recognized "sham exception" is not an exception at all but merely an inferential rebuttal of the *Noerr-Pennington* defense, with no burden of proof being placed on the party alleging that the petitioning was a sham. On balance, how-

ETSI here relies on the "sham" exception to *Noerr-Pennington*. This is a critical issue in this Motion; ETSI also seeks, however, to avoid application of the *Noerr-Pennington* doctrine on the basis that the defendants' overall course of conduct is a part of a broad antitrust conspiracy and that any activities protected by *Noerr-Pennington* can be considered (and thus can be shown by evidence) as part of the overall conspiracy.

The latter contention is disapproved. Under the *Noerr-Pennington* doctrine, no genuine petitioning of the government can be considered as part of a broader scheme to violate the Sherman Act.<sup>34</sup> That this is the existing state of the law has been reaffirmed by the Fifth Circuit.<sup>35</sup> Thus, the *Noerr-Pennington* defense must prevail

---

ever, the decisions seem clearly to contemplate that the "sham exception" is actually an exception and not merely an inferential rebuttal to or an element encompassed within the *Noerr-Pennington* defense. Rather it is truly an exception to be alleged and shown in order to avoid the defense. Accordingly, the burden of making a *prima facie* showing of the elements of the sham exception necessarily falls on ETSI, the one asserting the sham exception, while the defendants relying on the *Noerr-Pennington* defense do not have the burden of negating the "sham exception." Cf. *Coastal States Marketing, Inc. v. Hunt*, supra n.32, at 1373 stating that only after defendant has met its burden of making the appropriate "showing would the burden shift back to the plaintiff to show sham" (emphasis added); *Feminist Women's Health Center v. Mohammad*, 586 F.2d 530, 543 ("The *Noerr* doctrine presents no bar if the plaintiff proves that the petitioning was not a genuine effort to influence public officials to take governmental action"), cert. denied 444 U.S. 924 (1979).

<sup>34</sup> *United Mineworkers of America v. Pennington*, 381 U.S. 657, 670, 85 S.Ct. 1585, (genuine efforts to petition the government "is not illegal, either standing alone or as part of a broader scheme itself violative of the Sherman Act"); *United States Football League v. National Football League*, 634 F. Supp. 1155, 1180 (S.D. N.Y. 1986).

<sup>35</sup> *Feminist Women's Health Center, Inc. v. Mohammad*, 586 F.2d 530, 543 (5th Cir. 1978), cert. denied 444 U.S. 924 (1979) (a link

unless the "sham" exception brings some of the activities of defendants, such as petitioning of judicial or administrative bodies, within the crime-fraud exception.<sup>36</sup>

B. *Sham Litigation*. Sham petitioning, insofar as litigation is concerned, requires an "intent to harm one's competitors not by the result of the litigation, but by the institution of the litigation."<sup>37</sup> One court has said that a "sham pleading is one which is good in form, but false in fact."<sup>38</sup> Thus, a sham petition in litigation is akin to a knowing assertion of a frivolous claim or defense<sup>39</sup> with the ulterior motive of harming one's competitors. In short, petitioning is a sham if the petitioning is done for the purpose of hurting the competitor by the very

---

to a broader illegal scheme is "irrelevant, for petitioning activity according to *Pennington* 'is not illegal, either standing alone or as part of a broader scheme'"; cf. *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1371 (5th Cir. 1983).

<sup>36</sup> "The only uniformly accepted limitation to [the *Noerr*] immunity is the 'sham' exception, which denies immunity for petitioning efforts that are merely veiled attempts to injure competitors directly or that use means that violate other laws to influence government." Meyers, n.28, at 834.

<sup>37</sup> *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980). See also *Greenwood Utilities v. Mississippi Power Co.*, 751 F.2d 1484, 1498 (5th Cir. 1985) ("vexatious litigation").

<sup>38</sup> *I.T.T. v. United Tel. Co. of Fla.*, 60 F.R.D. 177, 184 (M.D. Fla. 1973).

<sup>39</sup> Compare DR 7-102(A)(1), Texas Code of Professional Responsibility ("C.P.R."); cf. Rule 4.4, A.B.A. Model Rules of Professional Conduct. A claim or defense in a lawsuit is not necessarily baseless even if it does not prevail upon trial, because it is permissible to assert a claim or defense not warranted under existing law if the claim or defense "can be supported by good faith argument for an extension, modification, or reversal of existing law." DR 7-102(A)(2). See also EC 7-4, C.P.R. and EC 7-3, C.P.R. ("While serving as advocate, a lawyer should resolve in favor of his client doubts as to the bounds of the law").



fact of initiation of the petitioning without a desire to prevail on the petition.<sup>40</sup>

Defendants point out that no defense to a lawsuit has ever been held to be a sham, and no successful petition in court has ever been held to be a sham. On the factual issues, defendants contend that in fact defendants were not unduly delaying the window litigation, as shown by the evidence that only 28 of the 65 cases filed by ETSI were litigated by a defendant, and in most of those instances meaningful issues were raised and the cases were defended and disposed of promptly, thus refusing the ETSI claim of a pattern of opposition indicating a conspiracy.

In the present controversy, the fact that the defendants defended, rather than instigated, the various "window lawsuits" makes it unusually difficult for ETSI to show that such defensive petitioning by defendants was a sham. While it is conceivable that the defense of a lawsuit could be a "sham" within the meaning of the exception to the *Noerr-Pennington* doctrine if the mere filing of the defensive pleading was intended to hurt and if there was no thought of securing any relief as a result of the defensive filing, the court has been unable to locate a decision so holding. Although the making of a baseless defense may be, in some situations, circumstantial evidence of a sham, the intent must be to injure the competitor by the mere making of the defense, with no intent or desire to secure any relief from the tribunal.

The court finds that ETSI has not made a *prima facie* showing that the defense of any window lawsuit by a defendant was a sham.<sup>41</sup> On the contrary, it appears that

---

<sup>40</sup> Compare *California Motor Transport v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972).

<sup>41</sup> ETSI's main evidence is a letter written by Robert Bateson, a lawyer for Santa Fe; see Attachment 43, Plaintiffs' Memorandum. The Bateman assessment of the cases proved to be erroneous, for

many of the window suits were not contested, and that in those that were contested justiciable defenses were urged by defendants that were never found to be frivolous or abusive and that not infrequently were successful in limiting the relief sought by ETSI. Indeed, the defendants' positions in that series of window cases have been the subject of favorable scholarly commentary.<sup>42</sup> The filing of a defensive pleading is not a sham petitioning even where no sound defense exists if a purpose is to participate in, or have a voice in regard to, the decree to be entered. The number of, and timing of filing of, lawsuits by ETSI was in the control of ETSI rather than defendants. In sum, the circumstantial evidence does not rise to the level of a *prima facie* showing of sham petitioning in defending the window litigation.

Since there is no *prima facie* showing that the defendants engaged in sham defense of the window lawsuits, ETSI has not made the requisite showing that documents and communications relating thereto between attorneys and clients are discoverable under the crime-fraud exception.

C. *Sham Petitioning of Administrative Bodies.* We begin with the proposition that anticompetitive petitioning conduct directed at administrative agencies, including state and local agencies, is immunized under the *Noerr-Pennington* doctrine,<sup>43</sup> unless it constitutes sham

---

some of the cases in question were settled by consent decrees, the defendants were able to limit relief sought by ETSI in the cases, all were resolved within 8 months, and none were appealed. See Hale deposition Ex. 1, Attachment #1, Defendants' Response to Plaintiffs' Supplemental Brief. A lawyer's erroneous assessment of pending cases is very weak evidence of sham litigation.

<sup>42</sup> Comment, Coal Slurry Pipelines and Railroad Crossings: Court Decisions Favor the Pipeline Sponsors, 18 Hous. L. Rev. 1075, 1092 (1981).

<sup>43</sup> See *United States Football League v. National Football League*, 634 F. Supp. 1155, 1179 (S.D. N.Y. 1986).

petitioning. ETSI's strongest showing of possible sham petitioning is in regard to the administrative proceedings in which KCS, in particular, opposed ETSI's attempts to secure necessary permits and similar permissions from administrative agencies.

ETSI also has shown *prima facie* that Burlington Northern, Union Pacific, and KCS, through or while using their attorneys in connection therewith, engaged in anticompetitive conduct by non-petitioning activities in opposing ETSI's quest for administrative permits. These activities were aside from, and did not amount to, petitioning activities; thus those activities fall outside the *Noerr-Pennington* protection. ETSI has produced sufficient circumstantial evidence of their efforts, directed at other groups as well as other railroads, to stir up opposition to the granting of permits needed by ETSI. Necessarily in antitrust cases, evidence on motions to produce tends to be circumstantial, but circumstantial evidence can be sufficient for a *prima facie* showing. An example of this kind of conduct is that Burlington Northern encouraged others to challenge water use by ETSI from the Oahe Reservoir in South Dakota, to stir up farmer opposition, and to protest alleged errors in the federal environmental analysis.<sup>44</sup> Circumstantially, it is indicated that Union Pacific sought to have Ducks Unlimited and others protest use of the Missouri River water.<sup>45</sup>

Without describing the minutia of supporting evidence, suffice it to say that ETSI has shown *prima facie* that Burlington Northern, Union Pacific and Kansas City Southern engaged in attempts to stir up opposition on the part of others to the granting of permits sought by ETSI, and that these concerted activities were anticom-

---

<sup>44</sup> See attachments 289, 290, and 291, Plaintiffs' Second Supplemental Memorandum. See also n.13, *supra*.

<sup>45</sup> See attachment 292, Plaintiffs' Second Supplemental Memorandum. See also n.13, *supra*.

petitive activities not sufficiently related to the petitioning by KCS of administrative bodies to constitute immunized petitioning for discovery purposes. Accordingly, the documents and correspondence between those particular defendants and their attorneys in regard thereto (to the extent that the lawyers' services or advice were sought or used by the railroads) come within the crime-fraud exception to the two privileges asserted by defendants. While a *prima facie* showing has not been made that Chicago & North-Western and Missouri Pacific actively engaged in these particular kinds of anticompetitive restraints, the *prima facie* evidence connecting all five railroads with a concerted effort to oppose ETSI's competitive project is sufficient to justify applying the crime-fraud exception to all documents in question that relate to attempts to stir others into opposing ETSI's quest for governmental permits.

In addition, ETSI has shown *prima facie* that the petitioning activities by KCS in connection with administrative hearings regarding permits sought by ETSI constituted shams<sup>46</sup> within the meaning of the sham exception to the *Noerr-Pennington* defense.<sup>47</sup> Consequently, the documents and correspondence between KCS and its lawyers in regard to opposition to such administrative proceedings during the course of or prior to the termination of such petitioning activities are subject to discovery as not being within the protection of the attorney-client or work product privileges. The evidence shows *prima facie* that baseless or colorable assertions, contrived to inter-

---

<sup>46</sup> See *California Motor Transport v. Trucking Unlimited*, supra n.40.

<sup>47</sup> 23 of ETSI's 24 major permits were attacked. The broad, organized scope of the opposition is indicated by Attachments 270 and 272, Plaintiffs' Reply Memorandum. The repetitiveness of the attacks is evidence of sham petitioning; see *Feminist Women's Health Center, Inc. v. Mohammad*, 584 F.2d 530, 543 (5th Cir. 1978), *cert. denied* 444 U.S. 924 (1979).

fere with ETSI's applications rather than to secure the results ostensibly sought, were asserted by KCS, and that, as indicated circumstantially,<sup>48</sup> the other four railroads approved and cooperated in those efforts. Therefore, none of the five railroads is entitled to *Noerr-Pennington* protection in regard to the activities relating to KCS's "petitioning" of administrative bodies concerning ETSI's quest for requisite permits.

D. *The Andrews Litigation*. The two *Andrews* lawsuits were a challenge to the Department of Interior as to water and KCS was at least partly successful in that litigation. Defendants urge that the *Andrews*<sup>49</sup> litigation could not be sham litigation because KCS, who was plaintiff in *Andrews*, prevailed on the merits. By definition, litigation judicially found to be meritorious is not and cannot be a sham.<sup>50</sup> Furthermore, and aside from the fact that KCS was partly successful, the court finds (although it is a close question) that ETSI has not submitted evidence sufficient to make a *prima facie* showing that the *Andrews* litigation constituted a sham within the meaning of the sham exception to the *Noerr-Pennington* defense. Therefore, the activity of KCS in prosecuting *Andrews* is held not to be within the sham exception.

---

<sup>48</sup> See, e.g., Attachments 234, 238, 239, 240, 243, 244, 245, and 268, Plaintiffs' Reply Memorandum, and Attachments 6, 65, and 67, Plaintiffs' Memorandum. See also n.13, *supra*.

<sup>49</sup> One *Andrews* suit was brought by Kansas City Southern and the second *Andrews* suit was brought by the states of Nebraska, Iowa and Missouri. In connection with the suit by Nebraska, Nebraska requested of Union Pacific some assistance such as legal research on relevant federal law.

<sup>50</sup> See *Mid-Texas Communications Systems, Inc., v. A.T.&T.*, 615 F.2d 1372, 1383 (5th Cir. 1980), *cert. denied* 449 U.S. 967 (1980); *Handler & DeSovo, The Noerr Doctrine and Its Sham Exception*, 6 Cardozo L. Rev. 1, 30 (1984) (It "should be self-evident that a suit cannot, in any sense of the word, be a 'sham' when it has been found meritorious."). Cf. *Coastal States Marketing v. Hunt*, 694 F.2d 1358, 1372 (5th Cir. 1983) ("Because there was also a genuine legal dispute, however, the litigation was protected").

ETSI's strongest evidence is that Kansas City Southern made efforts to have other defendant railroads join as co-plaintiffs in *Andrews*, but the efforts were not successful. Such efforts to cause other defendants to join in a lawsuit that proved to be successful cannot change *Andrews* itself into sham litigation. Even if the other railroads had been persuaded to join as co-plaintiffs, the successful case could not be sham litigation. The unsuccessful efforts by KCS to persuade other railroads to join as co-plaintiffs in *Andrews* was not part of KCS's petitioning of a court, however, and such attempts to persuade are, therefore, considered as part of ETSI's *prima facie* showing, for purposes of discovery, that KCS purposefully used its attorneys in antitrust activities.

The legal research and similar activities performed by Union Pacific for Nebraska presents an unique question in regard to petitioning activities. Whether or not the assistance was at the request of Nebraska (which is disputed), it appears to the court that for Union Pacific to have supplied legal research and assistance to Nebraska as a part of its seeking to persuade Nebraska to bring the suit would constitute a petitioning of Nebraska and would be within the protection of *Noerr-Pennington*. Accordingly, it is held that documents relating to the legal assistance rendered by Union Pacific to Nebraska in *Andrews* are protected.

## VII. Alternative Work Product Requests

ETSI seeks, wholly aside from the crime-fraud contentions, to discover certain documents for which the work product privilege is claimed. The position of ETSI that such documents are discoverable rests on two theories: (1) the work product privilege does not apply to documents of a factual nature (as distinguished from documents reflecting a lawyer's mental impressions) in cases subsequent to the case in connection with which the docu-



ment was prepared;<sup>51</sup> (2) documents reflecting a lawyer's mental impressions are discoverable under the "substantial need" rule when the legal advice is in issue in the lawsuit.

In any event, ETSI has not met the "substantial need" requirement of Rule 26(b)(3), Fed.R.Civ.Pro., nor could ETSI show substantial need at this stage of this litigation, for much discovery—including that granted by this order—remains to be done. The request under the "substantial need" theory is premature at this time.

#### VIII. Waiver of Privilege by Defendants

ETSI contends that the privileges were waived by defendants because defendants "assert that these activities did not violate the antitrust laws because they were in good faith and were aimed at legislative, administrative, and judicial bodies and therefore exempt from the antitrust laws under the *Noerr* doctrine."<sup>52</sup> The gist of the ETSI argument is that assertion in an antitrust case of the *Noerr-Pennington* defense necessarily waives by implication the attorney-client and the work product privileges as to all documents regarding activities constituting governmental petitioning within the meaning of that doctrine.<sup>53</sup> Defendants, on the other hand, find the ETSI

---

<sup>51</sup> This contention is overruled on the basis of *In re Grand Jury Subpoena* Dated 11/8/79, 622 F.2d 933 (6th Cir. 1980); *In re Internat'l. Systems & Controls Corp.*, 91 F.R.D. 552 (S.D. Tex. 1981).

<sup>52</sup> Plaintiffs Supplemental Memorandum in Support of Their Second Motion to Compel Production of Documents, at 2. At 3, ETSI points out that each defendant has relied on the *Noerr-Pennington* defense.

<sup>53</sup> ETSI relies largely on cases following the well settled rule that making a defense of reliance on advice of counsel waives the attorney-client privilege as to communications relating to the advice given by counsel; see, e.g., *FDIC v. United States*, 527 F. Supp. 942 (S.D. W. Va. 1981); *Hearn v. Rhay*, 68 F.R.D. 574 (E.D. Wash. 1975) (assertion of affirmative defense is sufficient affirmative ac-

position to be a Catch-22 proposition: "Having alleged, as the basis for piercing the privilege, that the activities of defendants' lawyers were unlawful because of their improper motivations, ETSI would offer defendants only the options (1) of conceding the allegation (and thus losing the privilege under the crime-fraud exception), or (2) resisting the allegation (and thus losing the privilege by waiver)." <sup>54</sup>

The "sham" exception to *Noerr-Pennington* was alleged by ETSI, not by defendants. To sustain its allegation of the sham exception, ETSI bears the burden of making a *prima facie* showing that defendants, in their various petitioning activities, were motivated not by a desire to prevail on the petitioning but by a desire to injure a competitor by initiating the petition, or by petitioning, falsely.<sup>55</sup> It follows that the issue of defendants' motivation or state-of-mind was injected not by defendants but by ETSI in asserting its sham exception to the *Noerr-Pennington* defense. Therefore, defendants are not in the Catch-22 situation suggested by ETSI, and defendants have not impliedly waived the work product and attorney-client privileges.

*Chase Manhattan Bank v. Drysdale Securities Corp.*<sup>56</sup> takes the appropriate approach to this kind of problem, regardless of narrow questions regarding allocation of

---

tion for waiver). Defendants note, however, that none of the many recent cases interpreting the sham exception to the *Noerr-Pennington* doctrine has adopted the waiver position asserted by ETSI. See Defendants' Response to Plaintiffs' Supplemental Brief, at 3. In a situation similar to this litigation, the *Hearn v. Rhay* decision was rejected as inapposite; see *Chase Manhattan Bank v. Drysdale Securities Corp.*, 587 F. Supp. 57 (S.D. N.Y. 1984).

<sup>54</sup> Defendants' Response to Plaintiffs' Supplemental Brief, at 2.

<sup>55</sup> See discussion, *supra*, at § VI, The "Sham" Exception, and particularly at n.33.

<sup>56</sup> 587 F. Supp. 57 (S.D. N.Y. 1984).

burdens of going forward with *prima facie* evidence. In *Chase*, the Magistrate, in reliance on *Hearn*,<sup>57</sup> had found an implied waiver and granted discovery sought by defendant Arthur Andersen & Co. against the bank. Andersen had asserted that there was an implied waiver resulting from the bank's filing of the securities fraud suit, which includes justifiable reliance as an element; Andersen said this put the prudence of Chase's behavior in issue. In holding there was no implied waiver, the court said that in the cases where implied waiver is found "the very subject of the communications was essential to that issue, either expressly so, or by implication," and that this factor was not present in *Chase*. The court further noted, "It cannot be possible for Andersen to justify breaching Chase's privilege by reason of its own pleading of an affirmative defense. That would give an adversary who is a skillful pleader the ability to render the privilege a nullity. Neither does the possible ultimate allocation of the burden to Chase on the issue of recklessness justify present release of the communications to Andersen."<sup>58</sup> Likewise, in this litigation it should not be possible for ETSI, by pleading the sham exception to the *Noerr-Pennington* doctrine, to eliminate all possibility of reliance by defendants upon the attorney-client and work product privileges.

It is found that defendants did not impliedly waive the privileges.

#### IX. Scope of Order

This order relates, of course, only to the questions whether there has been a *prima facie* showing of conduct in violation of antitrust laws and of sham petitioning, sufficient for discovery of documents claimed to be privileged. The findings and decisions herein are not rulings

---

<sup>57</sup> See n.53, *supra*.

<sup>58</sup> *Chase Manhattan Bank v. Drysdale Securities Corp.*, *supra* n.56, at 59.

upon admissibility of documents that may be discovered<sup>59</sup> and in no way impinge upon the determination of any issues of fact upon trial.

### ORDER

The Motion to Compel Production of Documents (Crime-Fraud) is DENIED, except, however, it is GRANTED as to the following specifically described classes of documents, to the extent that each particular document, for which privilege is claimed, is reasonably relevant,<sup>60</sup> to a *prima facie* violation<sup>61</sup> of the antitrust laws:

(1) Documents relating to railroads' collectively denying or delaying crossing rights to ETSI (this group does not include documents relating to the window litigation, but to prior use of attorneys by railroads in denying or delaying crossing rights).

(2) Documents relating to participation by KCS, other railroad defendants, and Brown & Roady in petitioning federal, state, and local administrative agencies in regard to permits and authorizations sought by ETSI.

(3) Documents relating to activities on the part of Burlington Northern, Union Pacific, KCS and other defendant railroads to persuade other entities and individuals to oppose the grant by federal, state, and local administrative agencies of permits and authorizations sought by ETSI.

---

<sup>59</sup> Compare *United States v. Dyer*, 722 F.2d 174, 178 (5th Cir. 1983); *In re A.H. Robins Co.*, 107 F.R.D. 2 (D. Kan. 1985).

<sup>60</sup> Compare *In re International Systems & Controls Corp.*, 693 F.2d 1235 (5th Cir. 1982); *In re Sealed Case*, 676 F.2d 793, 815 (D.C. Cir. 1982).

<sup>61</sup> In event of dispute regarding such relevancy of a particular document, it can be considered by the court *in camera*.

(4) Documents relating to activities by KCS to persuade other railroads to join in the *Andrews* litigation.

SIGNED and ENTERED on this ——day of January 1987.

---

United States District Judge

APPENDIX D

IN THE UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT

---

No. 87-2177

---

IN RE: BURLINGTON NORTHERN, INC., BURLINGTON  
NORTHERN RAILROAD COMPANY, UNION PACIFIC COR-  
PORATION, UNION PACIFIC RAILROAD COMPANY, MIS-  
SOURI PACIFIC RAILROAD COMPANY, KANSAS CITY  
SOUTHERN INDUSTRIES, INC., KANSAS CITY SOUTHERN  
RAILWAY COMPANY AND CHICAGO AND NORTH WEST-  
ERN TRANSPORTATION COMPANY,

*Petitioners.*

---

Appeal from the United States District Court for the  
Eastern District of Texas

---

ON SUGGESTION FOR REHEARING *EN BANC*

---

(Opinion July 14, 5 Cir., 1987, — F.2d —)

(August 12, 1987)

---

Before BROWN, REAVLEY and JOLLY, Circuit  
Judges.



## PER CURIAM:

(×) Treating the suggestion for rehearing en banc as a petition for panel rehearing, it is ordered that the petition for panel rehearing is DENIED. No member of the panel nor Judge in regular active service of this Court having requested that the Court be polled on rehearing en banc (Federal Rules of Appellate Procedure and Local Rule 35), the suggestion for Rehearing En Banc is DENIED.

( ) Treating the suggestion for rehearing en banc as a petition for panel rehearing, the petition for panel rehearing is DENIED. The judges in regular active service of this Court having been polled at the request of one of said judges and a majority of said judges not having voted in favor of it (Federal Rules of Appellate Procedure and Local Rule 35), the suggestion for Rehearing En Banc is DENIED.

ENTERED FOR THE COURT:

/s/ Thomas M. Reavley  
United States Circuit Judge

APPENDIX E

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
BEAUMONT DIVISION

---

Civil Action No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND  
ENERGY TRANSPORTATION SYSTEM, INC.

vs.

BURLINGTON NORTHERN, INC., *et al.*

---

[Filed July 22, 1987]

---

ORDER

The Court having reviewed the Fifth Circuit Opinion in the above case has concluded that undoubtedly it should set aside its previous Order dated February 13, 1987.

It is, therefore, ORDERED that the Court's Order of February 13, 1987, is set aside.

The parties may file new motions, re-assert old motions, propose additional findings on the existing record or make other suggestions that they deem appropriate.

SIGNED this 20th day of July, 1987.

/s/ Robert M. Parker  
ROBERT M. PARKER  
United States District Judge

APPENDIX F

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
BEAUMONT DIVISION

---

B-84-979-CA

---

ETSI PIPELINE PROJECT, A JOINT VENTURE, and  
ENERGY TRANSPORTATION SYSTEM, INC.

vs.

BURLINGTON NORTHERN, *et al.*

---

[Filed Oct. 2, 1987]

---

*FINDINGS OF FACT, CONCLUSIONS OF LAW,  
AND ORDER OF THE COURT*

§ 1 INTRODUCTION

This is an antitrust suit. The motion before the court is plaintiff ETSI's Renewal of its Motion for Production of Documents to which the defendants have asserted a *Noerr-Pennington* defense, attorney-client privilege, and work product defenses. The motion has been briefed and over-briefed. It was fully argued at a hearing held September 28, 1987. The matter is considered under guidelines established by the United States Court of Appeals for the Fifth Circuit. *In re Burlington Northern*, 822 F.2d 518 (5th Cir. 1987).

## § 2 PLAINTIFFS' BURDEN OF PROOF

Plaintiffs have previously established a *prima facie* case that a conspiracy existed to thwart plaintiffs' attempt to build a coal slurry pipeline from northern coal producing states to serve customers in the southwest in violation of the antitrust laws. A *prima facie* case has been made that each defendant railroad was a member of that conspiracy. What the motion at bar addresses is documents that the plaintiffs claim were made in the course and furtherance of the conspiracy.

For the plaintiffs to prevail, it must be proven that the documents in question, whose genesis was in litigation and in activities before administrative agencies, were a part of a sham. Proof of a sham requires a *prima facie* showing that the litigation was undertaken without a genuine desire for judicial relief as a significant motivating factor, or that there was no reasonable expectation of judicial relief, or that there was no reasonable basis for party standing. *In re Burlington Northern*, 823 F.2d 518, 534 (5th Cir. 1987).

The initial question for this court to address concerns the meaning of *prima facie* proof in the context of the motion presently before the court. Plaintiffs forcefully argue that *prima facie* proof, as used by the Fifth Circuit in its order, is equatable to the analysis required in determining whether an issue of fact exists sufficient to go to a jury. The court disagrees. The concept of *prima facie* proof is much used and occasionally abused. It can mean different degrees of proof under different circumstances. To require merely sufficient evidence to raise a fact issue does a disservice to the *Noerr-Pennington* doctrine. In order for a moving party to pierce the *Noerr-Pennington* shield surrounding petitioning activity, the proof of sham must be sufficient to overcome a presumption of validity. Plaintiffs must come to grips with *Coastal States'* recognition that invariably there exists a multiplicity of motivations giving rise to judicial litiga-

tion or agency petitioning. See, *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1371 (5th Cir. 1983). Ultimate success may not be achieved until the plaintiffs prove a negative—that there was no genuine desire for judicial relief as a significant motivating factor. Defendants have argued correctly that the burden is an onerous one indeed.

*Prima facie* proof means that a party has presented sufficient proof to be entitled to proceed. In the context of its use in the motion before the court, that is in order for the plaintiffs to overcome the presumption of validity and prove the negative—that defendants were without a genuine desire for judicial relief as a significant motivating factor, ETSI can only make a *prima facie* case if its proof is both clear and convincing. In *Addington v. Texas*, 441 U.S. 418, 424, 99 S.Ct. 1804, 1808, 60 L.Ed.2d 323, 329 (1979), former Chief Justice Burger noted that the traditional burden of proof in a civil fraud case was by the intermediate standard of clear and convincing evidence. The fact that the common law standard was by clear and convincing evidence further reinforces this court's opinion that this is the proper standard in a scenario such as this where important interests are at stake. The plaintiff's proof in this case is clear and convincing.

A preponderance analysis is inappropriate in the sense that it assumes all the evidence is before the fact finder, which is not the case here. However, based on *available* evidence, a preponderance analysis in terms of whether the plaintiffs have established the fact to be "more likely true than not true" is both appropriate and proved. Cf. *Herman & MacLean v. Huddleston*, 459 U.S. 375, 103 S.Ct. 683, 691-92, 74 L.Ed.2d 548 (1983) (lower preponderance of the evidence standard appropriate in statutory securities fraud case). Certainly, sufficient evidence under either standard is available to the court for the following Findings of Fact.

## § 3 FINDINGS OF FACT

1. The defendant railroads engaged in each of the "window" lawsuits, *see* attached Exhibit 1, without a genuine desire for judicial relief as a significant motivating factor.

2. The defendant railroads' desire to influence and obtain judicial relief throughout each of the "window" lawsuits, *see* attached Exhibit 1, was insignificant, incidental, and not a significant motivating factor.

3. The railroad defendants' primary motive in each of the "window" lawsuits, *see* attached Exhibit 1, was to harm a competitor through the mere invocation and maintenance of the judicial process.

4. Kansas City Southern initiated and engaged in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984), *sub nom.*, *Missouri v. Andrews*, 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, — U.S. —, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) without a genuine desire for judicial relief as a significant motivating factor.

5. Kansas City Southern's desire to influence and obtain judicial relief in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984), *sub nom.*, *Missouri v. Andrews*, 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, — U.S. —, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) was insignificant, incidental, and not a significant motivating factor.

6. Kansas City Southern's primary motive in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984) was to harm a competitor through the mere invocation and maintenance of the judicial process.

7. Union Pacific, although not named as a formal party to the suit, initiated and facilitated *Missouri v. Andrews* (CV82-L-442), 586 F.Supp. 1268 (D. Neb.



1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, — U.S. —, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) without a genuine desire for judicial relief as a significant motivating factor.

8. Although not named as a formal party to the suit, Union Pacific's primary motive in *Missouri v. Andrews* (CV82-L-442), 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, — U.S. —, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) was to harm a competitor through the mere invocation and maintenance of the judicial process.

9. The other railroad defendants represented to this court that they were not involved in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984) or *Missouri v. Andrews*, CV82-L-442 (D. Neb. 1984), and therefore any documents they may have relating or referring to the *Andrews* litigation would not be protected by *Noerr-Pennington*, the attorney-client privilege, or the work product privilege.

10. Burlington Northern, Union Pacific, and Kansas City Southern engaged in numerous attempts to stir up opposition on the part of other entities with regard to the granting of permits sought by ETSI from various administrative bodies.

11. All of the railroad defendants engaged in multiple efforts to oppose the granting of permits sought by ETSI from various administrative agencies.

12. The petitioning activities of Kansas City Southern with regard to the granting of permits sought by ETSI from various administrative bodies were a sham.

13. The defendants sole significant motivating factor in the "window" lawsuits, the *Andrews* litigation, and the administrative petitioning activities was anticompetitive. The sole significant motivation was to "kill" the coal slurry pipeline project by delay facilitated through-

the mere invocation and maintenance of the judicial and administrative process.

14. At this time, the court finds no need and therefore makes no finding with regard as to whether the railroad defendants may have had a reasonable expectation of judicial relief in either the "window" or *Andrews* litigation.

15. At this time, the court finds no need and therefore makes no finding with regard as to whether the railroad defendants may have had a reasonable basis for party standing in the *Andrews* litigation.

#### § 4 CONCLUSIONS OF LAW

1. The plaintiffs (collectively referred to as ETSI) have sustained their burden to make a "*prima facie*" showing that the railroad defendants engaged in each of the "window" lawsuits without a genuine desire for judicial relief as a significant motivating factor. The court specifically makes this finding with regard to each of the "window" lawsuits, see Exhibit 1 which is hereby incorporated by reference for purposes of this opinion and order. Since the railroad defendants engaged in each of the "window" lawsuits without a genuine desire for judicial relief as a significant motivating factor, their participation in each of these "window" suits constituted a sham. The *Noerr-Pennington* doctrine offers no protection to sham activities. Accordingly, the crime-fraud exception to the attorney-client and work product privileges allows full discovery of any matters relating or referring to the individual "window" lawsuits from each defendant railroad.

2. The plaintiffs have sustained their burden to make a "*prima facie*" showing that Kansas City Southern and Union Pacific engaged in and facilitated the *Andrews* lawsuits without a genuine desire for judicial relief as a significant motivating factor. Since these defendants en-

gaged in each of the *Andrews* lawsuits without a genuine desire for judicial relief as a significant motivating factor, their participation in each of these suits constituted a sham. The fact that Union Pacific was not a formal party to *Missouri v. Andrews* is of no consequence. The *Noerr-Pennington* doctrine offers no protection to sham activities. Accordingly, the crime-fraud exception to the attorney-client and work product privileges allow full discovery of any matters relating or referring to the individual *Andrews* lawsuits from Kansas City Southern and Union Pacific. Since the other railroad defendants represented to this court that they were not involved in *Kansas City Southern Railway v. Andrews* (CV82-L-443) or *Missouri v. Andrews* (CV82-L-442), any documents that these defendants may have relating or referring to the *Andrews* litigation are not protected from discovery by *Noerr-Pennington*, the attorney-client privilege, or the work product privilege.

3. The plaintiffs have sustained their burden to make a "*prima facie*" showing that the anticompetitive activities of Burlington Northern, Union Pacific, and Kansas City Southern, designed to stir up opposition to various administrative permits sought by ETSI, were not sufficiently motivated by a genuine desire for relief as a significant motivating factor. Therefore, any documents and correspondence between these particular defendants and their attorneys come within the crime-fraud exception to the two asserted privileges. Furthermore, *prima facie* evidence connecting each defendant with an effort to delay the administrative process justifies the invocation of the crime-fraud exception with respect to all of the railroad defendants.

4. The plaintiffs have sustained their burden to make a *prima facie* showing that the petitioning activities of the Kansas City Southern in connection with administrative hearings regarding permits sought by ETSI were sham. The *Noerr-Pennington* doctrine offers no protection

for sham petitioning, and therefore the crime-fraud exception becomes applicable. Consequently, the documents and correspondence between Kansas City Southern and its lawyers regarding these administrative hearings during the course of, or prior to, the termination of such petitioning activities are subject to discovery.

5. The states of Iowa, Missouri, and Nebraska may validly assert the attorney-client privilege to the extent that confidentiality was maintained.

### § 5 ORDER OF THE COURT

1. Pursuant to the preceding Findings of Fact and Conclusions of Law, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that each of the railroad defendants produce all documents for which an attorney-client or work product privilege has been claimed which relate, refer to, mention, or concern the following:

A. Each of the individual lawsuits commonly known as the "window" litigation, *see* attached Exhibit 1;

B. Each of the individual lawsuits commonly known as the *Andrews* litigation;

C. Any application or filing by ETSI before an administrative agency (federal, state, or local) for a permit or authorization concerning the coal slurry pipeline.

2. Any document claimed as privileged by the states of Iowa, Missouri, or Nebraska shall be submitted to this court for an *in camera* inspection.

3. Because of the ongoing nature of the *Andrews* litigation, all documents produced by any party which refer or relate to the *Andrews* litigation shall be subject to *in camera* inspection by this court. Similar to a Fed. R. Evid. 403 analysis, the court will consider whether the probative value of the evidence is substantially outweighed by the danger of unfair prejudice to the de-

fendants. After engaging in this balancing analysis, the court shall then determine whether such evidence is discoverable.

4. All other discovery matters are hereby assigned to Magistrate Mike Bradford pending further orders of this court.

SIGNED and ENTERED this 2nd day of October, 1987.

/s/ Robert M. Parker  
ROBERT M. PARKER  
United States District Judge

B-84-949-CAExhibit 1

## WINDOW LITIGATION

<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
Energy Transportation Systems, Inc., a Delaware corporation v. Chicago Northwestern Transportation Company	C-76-131	United States District Court for the District of Wyoming
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc.	C-76-130	United States District Court for the District of Wyoming
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	C-76-129B	United States District Court for the District of Wyoming
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	CV-77-L-164	United States District Court for the District of Nebraska
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	5911	District Court of Morrill County, Nebraska
Energy Transportation Systems, Inc., a Delaware corporation and Board of Educational Lands and Funds of the State of Nebraska v. Union Pacific Railroad Company, a Utah corporation	CV-77-L-167	United States District Court for the District of Nebraska
	79-1259	United States Court of Appeals, 8th Circuit
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	CV-77-L-165	United States District Court for the District of Nebraska
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	CV-77-L-166	United States District Court for the District of Nebraska



<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	77-C-10	17th Judicial District Court, Rawlins County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	79-C-9	17th Judicial District Court, Decatur County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	77-C-13	15th Judicial District Court, Sheridan County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	79-C-10	15th Judicial District Court, Graham County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	77-C-6	23rd Judicial District Court, Trego County, Kansas, Civil Department
	77-4116	United States District Court for the District of Kansas
	78-1680	10th Circuit Court of Appeals
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	79-C-11	State District Court of Trego County, Kansas
	79-4079	United States District Court, Kansas

<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation, et al.	5509	15th Judicial District Court, Thomas County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	77-C-16	District Court, Gove County, Kansas
	77-4151	United States District Court for the District Kansas
	78-1681	10th United States Circuit Court of Appeals
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-17	24th Judicial District Court, Rush County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-18	24th Judicial District Court, Rush County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-254	20th Judicial District Court, Barton County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-105	27th Judicial District Court, Reno County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-104	27th Judicial District Court, Reno County, Kansas, Civil Department

<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-48	19th Judicial District Court, Kingman County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-1096	18th Judicial District Court, Sedgwick County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-122	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-123	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	25196	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	78-C-226	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-124	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware Corporation v. Missouri Pacific Railroad Company, a Missouri corporation	78-C-1753	18th Judicial District Court, Sedgewick County, Kansas, Civil Department

<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation, et al.	C-37229	District Court of Sedgewick County, Kansas
Energy Transportation Systems, Inc., a Delaware corporation v. St. Louis-San Francisco Railway Company, a Missouri corporation, et al.	C-37228	18th Judicial District Court, Sedgewick County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-250	9th Judicial District Court, Harvey County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-251	9th Judicial District Court, Harvey County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-51	8th Judicial District Court, Marion County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-37	8th Judicial District Court, Morris County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company	77-C-38	8th Judicial District Court, Morris County, Kansas, Civil Department
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-83-PC	District Court of Kay County, Oklahoma
	C-77-517-E	United States District Court for the Western District of Oklahoma

## 101a

<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company, a corporation	C-77-84-PC	District Court of Kay County, Oklahoma
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company, a corporation	C-77-65	District Court of Noble County, Oklahoma
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company	C-77-193	District Court of Osage County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Company, a foreign corporation	C-77-154	District Court of Osage County, Oklahoma
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company	C-77-230	District Court of Washington County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company, a foreign corporation	C-77-135	District Court of Wagoner County, Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-464	District Court of Muskogee County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company, a corporation	C-77-53	District Court of Haskell County, Oklahoma
Energy Transportation Systems, Inc. v. Kansas City Southern Railway Company, and Fort Smith and Van Buren Railway Company, a corporation	C-77-318	District Court of LeFlore County, Oklahoma
	52,680	Supreme Court of Oklahoma
Energy Transportation Systems, Inc. v. Kansas City Southern Railway Company, a corporation	C-77-319	District Court of LeFlore County, Oklahoma

<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
	52-680	Supreme Court of Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-235	District Court of LeFlore County, Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-423	District Court of Rogers County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company, a corporation	C-77-422	District Court of Rogers County, Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-427	District Court of Rogers County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-370	Chancery Court of Saline County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-646	Chancery Court of Jefferson County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-106	Chancery Court of Drew County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	76-243	Chancery Court of Ashley County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	761-151	United States District Court for the Western District of Louisiana, Monroe Division



## 103a

<u>Style of Case</u>	<u>Cause No.</u>	<u>Court</u>
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-646	Parish of West Carroll, Louisiana, 5th District Court
	761-150	United States District Court

APPENDIX G

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
BEAUMONT DIVISION

---

B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND  
ENERGY TRANSPORTATION SYSTEM, INC.

vs.

BURLINGTON NORTHERN, *et al.*

---

[Filed Oct. 14, 1987]

---

ORDER

CAME ON for consideration the defendants' Motion for Stay of this Court's October 2, 1987 Order Pending Disposition of: (1) Petition for Writ of Certiorari in the United States Supreme Court; and (2) Petition for Writ of Mandamus in the United States Court of Appeals for the Fifth Circuit. After due consideration, the Court is of the opinion that a stay should be granted pending the disposition of the Petition for Writ of Mandamus in the Fifth Circuit only.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the defendants' Motion for Stay of this Court's October 2, 1987 Order Pending Disposition of a Petition for Writ of Certiorari in the United States Supreme Court is DENIED. The defendants' Motion for

105a

Stay of this Court's October 2, 1987 Order Pending Disposition of a Petition for Writ of Mandamus in the United States Court of Appeals for the Fifth Circuit is GRANTED.

SIGNED this 14th day of October, 1987.

/s/ Robert M. Parker  
ROBERT M. PARKER  
United States District Judge

APPENDIX H

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
BEAUMONT DIVISION

---

Cause No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND  
ENERGY TRANSPORTATION SYSTEM, INC.

vs.

BURLINGTON NORTHERN, INC., *et al.*

---

ORDER

Now comes the Court, upon consideration of Defendant's Motion for Partial Summary Judgment (*Andrews*) and Plaintiff's response thereto, and Orders that Defendant's Motion is denied.

The Court finds that there are material issues of disputed fact regarding whether the Defendants' activities throughout the course of the *Andrews* litigation is protected under the *Noerr-Pennington* doctrine. The Court finds that Plaintiffs have presented sufficient evidence to raise a fact issue of whether Defendants' conduct throughout the entire campaign to stop the ETSI project, including the *Andrews* litigation, was in bad faith and therefore constituting a sham proceeding which is not entitled to the *Noerr* shield.

Therefore, Defendants' Motion for Partial Summary Judgment concerning the *Andrews* litigation is denied.

Signed this 13th day of February, 1987.

/s/ Robert M. Parker  
ROBERT M. PARKER  
United States District Judge

## APPENDIX I

THE NOERR DOCTRINE AND ITS SHAM  
EXCEPTION

*Milton Handler \**  
*and Richard A. De Sevo\*\**

What is and what is not a sham is the Hamlet-like question that has perplexed the lower courts in the two decades since the Supreme Court, in a "new and unusual application of the Sherman Act,"<sup>1</sup> enunciated the *Noerr* doctrine. That doctrine provides that concerted efforts by private parties to induce government action in their own self-interest cannot be the basis of antitrust liability even if the conduct is motivated by an anticompetitive purpose, has an anticompetitive effect, and injures competitors or competition.<sup>2</sup> In view of the importance in a democracy of allowing full play for the exercise of the right to petition the government, even in the context of internecine warfare between competing groups or industries, the Court deemed it irrelevant from an antitrust standpoint that the defendants may have been inspired by malice, engaged in fraud and deception, or indulged in other unethical conduct.<sup>3</sup>

The Court, however, noted an exception to this broad principle:

---

\* Professor Emeritus of Law, Columbia University. A.B., 1924, L.L.B., 1926, Columbia University; L.L.D. (honoris causa), 1965, Hebrew University; Member, New York Bar.

\*\* A.B., 1973, Syracuse University; J.D., 1976, National Law Center, George Washington University; Member, New York Bar.

<sup>1</sup> *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 135 (1961).

<sup>2</sup> *Id.* at 135-38; see *infra* notes 9-14 and accompanying text.

<sup>3</sup> *Noerr*, 365 U.S. at 135-41; see *infra* notes 26-35 and accompanying text.

There may be situations in which a publicity campaign, ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor and the application of the Sherman Act would be justified. But this certainly is not the case here. No one denies that the railroads were making a genuine effort to influence legislation and law enforcement practices.<sup>4</sup>

Since Justice Black did not define the content and scope of this exception, that critical task has fallen to the lower courts. Little difficulty has been experienced in applying the doctrine to appeals to the legislature or executive where the only issue is whether the relief is genuinely sought. When litigation is instituted in the courts or before quasi-judicial administrative bodies, however, the line between the rule and its exception becomes more difficult to draw. Where litigation has been unsuccessful, some courts have drawn the line to invoke the exception. This, in our view, is directly contrary to *Noerr's* teachings. Perhaps the most egregious example is *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*,<sup>5</sup> where the Seventh Circuit, in an opinion by Judge Posner, an eminent antitrust scholar, intimated that even if a lawsuit is instituted with a reasonable basis in law and fact, it might still give rise to antitrust liability if the underlying purpose of the suit is anticompetitive and if the other elements of an antitrust suit—existence of a relevant market, antitrust injury, etc.—are established.<sup>6</sup>

---

<sup>4</sup> *Noerr*, 365 U.S. at 144.

<sup>5</sup> 694 F.2d 466 (7th Cir. 1982), cert. denied, 103 S. Ct. 2430 (1983).

<sup>6</sup> *Id.* at 470-73. Compare *MCI Communications Corp. v. American Tel. & Tel. Co.*, 708 F.2d 1081, 1153-55 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983), and *Litton Sys. v. American Tel. & Tel. Co.*, 700 F.2d 785, 809-19 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984), discussed *infra* notes 189-208 and accompanying text.



Recently, in *Bill Johnson's Restaurants, Inc. v. NLRB*,<sup>7</sup> the Supreme Court unanimously held that the National Labor Relations Board ("NLRB") could not enjoin as an unfair labor practice a pending state court suit by an employer against union members where there was a reasonable basis in law or fact for bringing the suit. In reaching this decision, the Court relied upon *Noerr* and the first amendment values that it safeguards. The precise effect of this ruling in an antitrust context, however, is not entirely clear. The time is therefore ripe for a reexamination of the lower court rulings (the most dubious of which is *Grip-Pak*) that have tended to expand the exception at the expense of the rule itself.

In this Article, we propose to outline the analytical basis and policy postulates of *Noerr* and to parse the *California Motor Transport* decision,<sup>8</sup> whose loose language has been the proximate cause of much of the uncertainty concerning the relationship of the sham exception to the rule. After a statistical overview of the lower court decisions interpreting *Noerr*, we will review the case law dealing with appeals to the legislature, the executive, administrative bodies exercising quasi-legislative or quasi-judicial powers, and the courts. Next, we will attempt to determine the effect of *Bill Johnson's Restaurants* in placing the rule and its exception in proper relationship in the context of litigation between competitors—the area in which the lower court decisions are in disarray. Finally, we will set forth our conclusions as to where the rule should properly end and the exception begin so that the doctrine's salutary objectives are not needlessly sacrificed and the sham exception is accorded the scope—no more but no less—intended by the Court when it handed down its landmark decision in *Noerr*. If *Noerr* is to be repudiated in whole or in part,

---

<sup>7</sup> 103 S. Ct. 2161, 2173 (1983).

<sup>8</sup> *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972).

the Supreme Court should speak with a single voice, in terms both clear and certain, so that the new rule can be consistently applied by the lower courts and fully understood by the public.

## I. THE DOCTRINE

In *Noerr*, the defendant railroads had petitioned the Pennsylvania Legislature for legislation that would have impaired the ability of their trucking company competitors to compete for long-distance freight business. The Supreme Court held that the railroads' concerted lobbying efforts could not violate the antitrust laws because Congress had not intended the Sherman Act to prohibit "persons from associating together in an attempt to persuade the legislature or the executive to take particular action with respect to a law that would produce a restraint or a monopoly."<sup>9</sup> Justice Black explained that although such joint efforts to influence the legislature or executive "could perhaps, through a process of expansive construction, be brought within the general proscription of 'combination[s] . . . in restraint of trade,' they bear very little if any resemblance to the combinations normally held violative of the Sherman Act . . . ." <sup>10</sup>

---

<sup>9</sup> *Noerr*, 365 U.S. at 136. The railroads sought the "passage of state laws relating to truck weight limits and tax rates on heavy trucks, and . . . encourage[d] a more rigid enforcement of state laws penalizing trucks for overweight loads and other traffic violations," *id.* at 131, all of which, the plaintiff truckers charged, would be "destructive of the trucking business," *id.* at 129.

<sup>10</sup> *Id.* at 136 (citing *Apex Hosiery Co. v. Leader*, 310 U.S. 469, 490-93 (1940), where the Court held that Congress did not intend the Sherman Act's proscription of "restraints of trade" to bar a labor sitdown strike); see also *Parker v. Brown*, 317 U.S. 341, 350-52 (1943) (Sherman Act's proscription of "restraint of trade" was not intended to bar conduct by the state); *Standard Oil Co. v. United States*, 221 U.S. 1, 51-62 (1911) (based on examination of English and American common law, Sherman Act prohibits only "restraints of trade" by "individuals or corporations").

The Court went on to note that a contrary statutory interpretation would present "other difficulties":<sup>11</sup>

[First], such a holding would substantially impair the power of government to take actions through its legislature and executive that operate to restrain trade. In a representative democracy such as this, these branches of government act on behalf of the people and, to a very large extent, the whole concept of representation depends upon the ability of the people to make their wishes known to their representatives. To hold that the government retains the power to act in this representative capacity and yet hold, at the same time, that the people cannot freely inform the government of their wishes would impute to the Sherman Act a purpose to regulate, not business activity, but political activity, a purpose which would have no basis whatever in the legislative history of that Act.<sup>12</sup>

Second, "and of at least equal significance," a different construction of the antitrust laws "would raise important constitutional questions."<sup>13</sup> As Justice Black explained, "[t]he right of petition is one of the freedoms protected by the Bill of Rights, and we cannot, of course, lightly impute to Congress an intent to invade these freedoms."<sup>14</sup>

---

<sup>11</sup> *Noerr*, 365 U.S. at 137.

<sup>12</sup> *Id.* (footnote omitted). For a discussion of the legislative history of the Sherman Act, see *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1364-65 n.21 (5th Cir. 1983); *Missouri v. National Org. for Women, Inc.*, 620 F.2d 1301, 1304-09 (8th Cir.), cert. denied, 449 U.S. 842 (1980).

<sup>13</sup> *Noerr*, 365 U.S. at 137-38.

<sup>14</sup> *Id.* at 138. The first amendment provides, in relevant part, that "Congress shall make no law . . . abridging . . . the right of the people . . . to petition the Government for a redress of grievances." U.S. Const. amend. I.

By grounding its decision on the intent of Congress rather than on the first amendment, the Court in *Noerr* correctly focused on antitrust concerns and provided a workable rule of legality: Was the defendants' conduct

---

<sup>14</sup> [Continued]

There were other approaches that the Court might have followed rather than resting its decision on an ex post facto reconstruction of the intention of the 51st Congress. In a sense, Justice Black, to whom the Rule of Reason was anathema, was balancing one set of values, the right of petition, against another, competition as a *summum bonum*, or what a fifteenth century judge termed "an ease to the people." The Schoolmaster Case, Y.B. Hil. 11 Hen. 4, f. 47, pl. 21 (1410), reprinted in M. Handler, Cases and Materials on Trade Regulation 143 (1967). However, while such balancing had a sound common law legitimacy, see Handler & Lazaroff, Restraint of Trade and the Restatement (Second) of Contracts, 57 N.Y.U. L. Rev. 669, 721-27 (1982), it was inconsonant with the view then prevalent, see *Chicago Board of Trade v. United States*, 246 U.S. 231, 238 (1918), and later ordained in *National Soc'y of Professional Eng'rs v. United States*, 435 U.S. 679, 691-92 (1978), that the anticompetitive features of a restraint must be overcome by its procompetitive effects for it to be lawful. Obviously, the *Noerr* conspiracy had no procompetitive advantages. Its object was to throttle the competition of the long haul truckers. It would have been equally inadequate to place the Court's holding on the constitutional pedestal of the first amendment right of petition and free speech. The *Noerr* defendants had indulged in knowing deception and falsehood—conduct that the Court has at times excluded from the shelter of the first amendment. Compare *Bill Johnson's Restaurants, Inc. v. NLRB*, 103 S. Ct. 2161, 2170 (1983) ("false statements are not immunized by the First Amendment"), and *Brown v. Hartlage*, 456 U.S. 45, 60 (1982) ("demonstrable falsehoods are not protected by the First Amendment in the same manner as truthful statements"), and *Herbert v. Lando*, 441 U.S. 153, 171 (1979) ("[s]preading false information in and of itself carries no First Amendment credentials"), with *Bose Corp. v. Consumers Union of United States, Inc.*, 104 S. Ct. 1949, 1961 n.22, 1966 (1984) (innocent or nonreckless erroneous statement in commercial speech and tolerated because of the potential chilling effect on free speech), and *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 340 (1974) ("[n]either the intentional lie nor the careless error" advances interest in public debate, but "punishment of error runs the risk of inducing a cautious and restrictive exercise" of freedom of

"directed toward influencing governmental action" or was it "a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor?"<sup>15</sup> In other words, the issue is not, as some courts have stated, whether conduct otherwise violative of the Sherman Act is "exempt" from its strictures;<sup>16</sup> rather, it is whether Congress intended the antitrust laws to prohibit the petitioning of government for action beneficial to the petitioners and harmful to their competitors. By viewing the issue in this manner, the *Noerr* doctrine can be applied without fear of seemingly approving the propriety or morality of the defendants' conduct—a fear that has mistakenly perme-

---

speech), and *Garrison v. Louisiana*, 379 U.S. 64, 73-75 (1964) (constitutional principles preclude adverse consequences for any but knowing or reckless falsehood), and *New York Times Co. v. Sullivan*, 376 U.S. 254, 279 n.19 (1964) ("[e]ven a false statement may be deemed to [make a valuable contribution] to public debate," since by its conflict with truth it promotes a clearer perception of truth). Moreover, if the *Noerr* doctrine were premised on the first amendment right to petition, it would unnecessarily convert antitrust issues into constitutional ones—a result that would run contrary to the Court's general inclination to avoid constitutional rulings wherever possible. See, e.g., *Califano v. Yamasaki*, 442 U.S. 682, 692-93 (1979); *United States v. Rumely*, 345 U.S. 41, 45 (1953); *United States v. Delaware & Hudson Co.*, 213 U.S. 366, 407-08 (1909).

<sup>15</sup> *Noerr*, 365 U.S. at 144.

<sup>16</sup> See, e.g., *Litton Sys. v. American Tel. & Tel. Co.*, 700 F.2d 785, 806-07 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 470-71 (7th Cir. 1982), cert. denied, 103 S. Ct. 2430 (1983); *American Prod. Welding Corp. v. Zurich-American Ins. Co.*, No. 80-1746 (6th Cir. Feb. 18, 1982); *North Carolina Elec. Membership Corp. v. Carolina Power & Light Co.*, 666 F.2d 50, 53 (4th Cir. 1981); *Ernest W. Hahn, Inc. v. Coddling*, 615 F.2d 830, 838 (9th Cir. 1980); *Israel v. Baxter Labs., Inc.*, 466 F.2d 272, 275 (D.C. Cir. 1972); *City of Atlanta v. Ashland-Warren, Inc.*, 1982-1 Trade Cas. (CCH) ¶ 64,527, at 72,925-29 (N.D. Ga. 1981); see *infra* note 116.

ated many of the lower courts' decisions.<sup>17</sup> Moreover, this approach avoids a wholly useless entanglement in the perplexing antitrust exemption doctrine, whose contribution is only to confuse and not to clarify.<sup>18</sup>

Following *Noerr*, the Court applied its exculpating principles to appeals to the nonlegislative branches of government.<sup>19</sup> Thus, *United Mine Workers v. Pennington*<sup>20</sup> reaffirmed that *Noerr* shields efforts to influence public officials. In an opinion by Justice White, the Court

---

<sup>17</sup> See, e.g., *Litton Sys. v. American Tel. & Tel. Co.*, 700 F.2d 785, 809-12 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); *Westborough Mall, Inc. v. City of Cape Girardeau*, 693 F.2d 733, 746 (8th Cir. 1982), cert. denied, 461 U.S. 945 (1983); *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891, 896-97 (2d Cir. 1981); *Israel v. Baxter Labs., Inc.*, 466 F.2d 272, 278 (D.C. Cir. 1972); *Sacramento Coca-Cola Bottling Co. v. Chauffeurs, Teamsters & Helpers Local 150*, 440 F.2d 1096, 1099 (9th Cir.), cert. denied, 404 U.S. 826 (1971); *Woods Exploration & Producing Co. v. Aluminum Co. of Am.*, 438 F.2d 1286, 1296-98 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972); *Codex Corp. v. Racal-Milgo, Inc.*, 1984-1 Trade Cas. (CCH) ¶ 65,853, at 67,561 (D. Mass.); *Ross v. Bremer*, 1982-2 Trade Cas. (CCH) ¶ 64,746, at 71,618-19 (W.D. Wash.); *Sage Int'l Ltd. v. Cadillac Gage Co.*, 507 F. Supp. 939, 946-48 (E.D. Mich. 1981); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168, 177-78 (D. Del. 1979).

<sup>18</sup> See, e.g., *Federal Maritime Comm'n v. Seatrain Lines*, 411 U.S. 726, 733 (1973) ("exemptions from antitrust laws are strictly construed"); *California v. Federal Power Comm'n*, 369 U.S. 482, 485 (1962) ("[i]mmunity from the antitrust laws is not lightly implied"); see also *Handler, Antitrust—1978*, 78 Colum. L. Rev. 1363, 1374-83 (1978) (examination of the state action doctrine and its basis in principles of federal preemption).

<sup>19</sup> Indeed, in *Noerr*, Justice Black coupled petitions to the executive with those to the legislative: "We think it equally clear that the Sherman Act does not prohibit two or more persons from associating together in an attempt to persuade the legislature or the executive to take particular action with respect to a law that would produce a restraint or a monopoly." 365 U.S. at 136 (emphasis added).

<sup>20</sup> 381 U.S. 657 (1965).



held that an agreement among labor unions and mining companies to lobby the Secretary of Labor to raise the minimum wage payable by contractors selling coal to the Tennessee Valley Authority ("TVA"), and to convince the TVA to curtail spot purchases of coal, did not contravene the Sherman Act. Reiterating that "*Noerr* shields from the Sherman Act a concerted effort to influence public officials regardless of intent or purpose . . . even though intended to eliminate competition," the Court held that there was no antitrust liability despite the fact that the defendants' conduct was alleged to be "part of a broader scheme" to "drive small operators out of business," a scheme alleged to be "itself violative of the Sherman Act."<sup>21</sup>

In *California Motor Transport Co. v. Trucking Unlimited*,<sup>22</sup> the Court applied the *Noerr* doctrine to the institution of proceedings and suits before administrative agencies and courts, proclaiming that "the right to petition extends to all departments of the Government."<sup>23</sup>

---

<sup>21</sup> Id. at 670. The Court also held that because "the action taken to set a minimum wage for government purchases of coal was the act of a public official [the Secretary of Labor] who is not claimed to be a co-conspirator," plaintiffs could not collect damages for any injury suffered by reason of his acts. Id. at 671; see *infra* note 221.

<sup>22</sup> 404 U.S. 508 (1972).

<sup>23</sup> Id. at 510. Almost sixty years earlier, the Third Circuit had reached a similar result for similar reasons. See *Citizens' Wholesale Supply Co. v. Snyder*, 201 F. 907 (3d Cir.), cert. denied, 229 U.S. 609 (1913). In holding that merchants who combined to enforce by litigation an ordinance barring the sale of certain items without a municipal license were not guilty of violating the Sherman Act, the court explained:

We cannot suppose that the general words of the Anti-Trust Act were intended to include an agreement in good faith to test a municipal ordinance in the courts. Such a construction would impose an extraordinary burden upon the citizen, and could only be justified by unmistakable language. It would



Justice Douglas gave *Noerr* a constitutional dimension by emphasizing the first amendment's protection of the right to petition.<sup>24</sup> In later references to *Noerr*, the Court has oscillated between Justice Black's original analysis of the doctrine as purely antitrust in scope, and Justice Douglas' first amendment radiations in *California Motor Transport*.<sup>25</sup>

## II. THE EXCEPTION

At the trial in *Noerr*, the district court found the railroads' publicity campaign to be "malicious and fraudulent."<sup>26</sup> But the Supreme Court held that the fact that the "railroads' sole purpose . . . was to *destroy* the truckers as competitors" did not transform their conduct into a violation of the Sherman Act.<sup>27</sup> Justice Black could not have been more explicit: "The right of the people to inform their representatives in government of their de-

---

require very plain speaking to make us believe that Congress had said, in effect, that citizens while acting in good faith to redress the violation of an ordinance *prima facie* valid, or even of fairly doubtful validity, must anticipate the decision of some ultimate tribunal, and must do so at the risk of being fined or imprisoned if their forecast should be wrong. The policy of the law encourages the peaceful settlement of disputes, and we see nothing in the conduct of the merchants' association that was deserving of blame. In good faith and on plausible grounds they believed the law to be with them, and they had a right to try out such a controversy in the courts, although the litigation might be expensive for their antagonist as well as for themselves.

Id. at 909-10.

<sup>24</sup> *California Motor Transport*, 404 U.S. at 510-11, 515.

<sup>25</sup> See *Bill Johnson's Restaurants, Inc. v. NLRB*, 103 S. Ct. 2161, 2169-71 (1983) (discussed *infra* notes 226-53 and accompanying text); *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 913-15 (1982); *City of Lafayette v. Louisiana Power & Light Co.*, 435 U.S. 389, 399 (1978).

<sup>26</sup> *Noerr*, 365 U.S. at 133.

<sup>27</sup> Id. at 138-39 (emphasis added).

sires with respect to the passage or enforcement of laws cannot properly be made to depend upon their intent in doing so.”<sup>28</sup> Indeed, it is precisely in those situations where people seek “an advantage to themselves and a disadvantage to their competitors” that petitioning of the government is “most” important:

[I]t is quite probably people with just such a hope of personal advantage who provide much of the information upon which governments must act. A construction of the Sherman Act that would disqualify people from taking a public position on matters in which they are financially interested would thus deprive the government of a valuable source of information and, at the same time, deprive the people of their right to petition in the very instances in which that right may be of the most importance to them.<sup>29</sup>

Despite the fact that the railroads’ publicity campaign “was intended to and did in fact injure the truckers,” and that this injury was an “inevitable” and “incidental effect” of defendants’ concerted action, there nevertheless was no ground for a cognizable claim under the Sherman Act.<sup>30</sup> The Court specifically rejected as “legally irrelevant” that the railroads’ campaign was of a “vicious nature” and involved the “so-called third-party technique” of “unethical business conduct,”<sup>31</sup> which includes

---

<sup>28</sup> Id. at 139. The Court held “that, at least insofar as the railroads’ campaign was directed toward obtaining governmental action, its legality was not at all affected by any anticompetitive purpose it may have had.” Id. at 139-40. Compare *United States v. Rock Royal Coop., Inc.*, 307 U.S. 533, 560 & n.18 (1939) (an association lobbying for adoption of a marketing order by the Secretary of Agriculture is not engaging in an illegal act simply because it is motivated by self-aggrandizement), and cases cited therein.

<sup>29</sup> *Noerr*, 365 U.S. at 139.

<sup>30</sup> Id. at 143-44.

<sup>31</sup> Id. at 140-42.

“deception of the public, manufacture of bogus sources of reference, [and] distortion of public sources of information.”<sup>32</sup> Notwithstanding a finding that the defendants had “deliberately deceived the public and public officials,” the Court held that “deception, reprehensible as it is, can be of no consequence so far as the Sherman Act is concerned.”<sup>33</sup>

It is plain that the defendants’ assorted improprieties did not constitute the kind of sham on which antitrust liability could be predicated. The test to Justice Black was whether the efforts to influence legislation, or otherwise to obtain governmental action, were genuine and not a mere cover or camouflage for a concerted program to harm competitors. Such would be the case, for example, where competitors, meeting ostensibly to petition the government, instead fix prices, divide markets, or otherwise engage in illegal conduct unrelated to their petitioning. It is plain that Justice Black was using the word “sham” in its dictionary sense: that which is “feigned, false, counterfeit; not genuine or true.”<sup>34</sup> Limiting the “sham” concept in this manner not only provides the breathing room necessary to effectuate the true intent of *Noerr*, but it is consistent with the traditional antitrust axiom that the prohibitions of the Sher-

---

<sup>32</sup> Id. (quoting the district court’s opinion, 155 F. Supp. 768, 778 (E.D. Pa. 1957)). The “third-party technique” referred to the fact that “publicity matter circulated in the campaign was made to appear as spontaneously expressed views of independent persons and civic groups when, in fact, it was largely prepared” by the railroads’ public relations firm. Id. at 130. Interestingly, the petitioners had pointed out in their brief that Thomas Jefferson had used the third-party technique in “scores” of pamphlets. Brief for Petitioners at 28 n.21, *Noerr*, 365 U.S. 127 (citing 9 The Works of Thomas Jefferson 128 (P. Ford ed. 1905)).

<sup>33</sup> *Noerr*, 365 U.S. at 145.

<sup>34</sup> 9 Oxford English Dictionary 616 (1970); see Webster’s Third New International Dictionary 2086 (P. Gove ed. 1971).

man Act cannot be avoided "by reasoning to any disguise or subterfuge of form."<sup>35</sup>

The confusion concerning the scope of the *Noerr* doctrine and its sham exception commenced seven years after *Pennington* with the decision in *California Motor Transport*. The defendants were nineteen California truckers who allegedly conspired to deter plaintiffs and other competitors from seeking new or expanded trucking routes from the California Public Utilities Commission or the Interstate Commerce Commission.<sup>36</sup> Specifically, the defendants were alleged to have agreed to oppose before these agencies each and every application for such operating rights made by a competing trucker.<sup>37</sup> Protests and oppositions were to be entered in every proceeding, regardless of the merits, and adverse determinations were to be appealed to the highest possible forum.<sup>38</sup> Defendants purportedly financed these litigation efforts through a trust fund to which each contributed in proportion to its respective gross annual income.<sup>39</sup> The defendants allegedly communicated their program to the plaintiffs and other competitors in a deliberate effort to induce those truckers to abandon their existing applications and to refrain from further efforts

---

<sup>35</sup> *United States v. American Tobacco Co.*, 221 U.S. 106, 181 (1911); see *Standard Sanitary Mfg. Co. v. United States*, 226 U.S. 20, 40, 47-49 (1912) (use of patent licenses as "pretense" for price-fixing held illegal).

<sup>36</sup> *Trucking Unlimited v. California Motor Transport Co.*, 1967 Trade Cas. (CCH) ¶ 72,298, at 84,739-40 (N.D. Cal.), rev'd, 432 F.2d 755 (9th Cir. 1970), aff'd, 404 U.S. 508 (1972).

<sup>37</sup> *Trucking Unlimited v. California Motor Transport Co.*, 432 F.2d 755, 757 (9th Cir. 1970), aff'd, 404 U.S. 508 (1972); First Amended Complaint, ¶ 8, D-E.

<sup>38</sup> *California Motor Transport*, 1967 Trade Cas. (CCH) ¶ 72,298, at 84,739; First Amended Complaint, ¶ 8, D-E.

<sup>39</sup> *California Motor Transport*, 1967 Trade Cas. (CCH) ¶ 72,298, at 84,740; First Amended Complaint, ¶ 8, F.

to gain new operating rights under the threat of invariably prolonged and costly litigation.<sup>40</sup>

The defendants' alleged plan was not to influence government, but rather to deter competitors from making applications that would set the public decisionmaking apparatus in motion.<sup>41</sup> Such a scheme would be embraced by the sham exception since, in Justice Black's words, it was not a "genuine effort" to obtain favorable governmental action.<sup>42</sup>

Holding that the complaint properly stated a claim for relief, the Supreme Court concluded that the defendants' right of free access to adjudicatory tribunals ends precisely at the point where it impinges upon the plaintiffs' exercise of *their* right to petition. The Court drew a distinction between (1) the free use of "the channels and procedures of state and federal agencies and courts" in the promotion of one's own interests, and (2) the employment of "power, strategy, and resources . . . to harass and deter respondents in *their* use of administrative and judicial proceedings so as to deny them 'free and unlimited access' to those tribunals."<sup>43</sup> The latter practice, in Justice Douglas' view, allows defendants to "usurp th[e] decisionmaking process"<sup>44</sup> and

---

<sup>40</sup> *California Motor Transport*, 432 F.2d at 762; First Amended Complaint, ¶ 8, G.

<sup>41</sup> In their brief to the Supreme Court, the plaintiffs construed their pleadings as alleging that the "[d]efendants' combination was not formed for the purpose of inducing governmental action but to obviate it." Brief for Respondents at 7, *California Motor Transport*, 404 U.S. 508.

<sup>42</sup> *Noerr*, 365 U.S. at 144.

<sup>43</sup> *California Motor Transport*, 404 U.S. at 511 (quoting plaintiff's complaint) (emphasis added).

<sup>44</sup> *Id.* at 512.

makes them the real “‘regulators of the grants of rights, transfers and registrations’” to plaintiffs.<sup>45</sup>

After noting that in *Noerr* the defendants had resorted to “deception and misrepresentation and unethical tactics,”<sup>46</sup> Justice Douglas asserted by way of a lengthy and rather obscure dictum:

Yet unethical conduct in the setting of the adjudicatory process often results in sanctions. Perjury of witnesses is one example. Use of a patent obtained by fraud to exclude a competitor from the market may involve a violation of the antitrust laws, as we held in *Walker Process Equipment v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 175-177. Conspiracy with a licensing authority to eliminate a competitor may also result in an antitrust transgression. *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 707; *Harman v. Valley National Bank*, 339 F.2d 564 (CA9 1964). Similarly, bribery of a public purchasing agent may constitute a violation of § 2(c) of the Clayton Act, as amended by the Robinson-Patman Act. *Rangen, Inc. v. Sterling Nelson & Sons*, 351 F.2d 851 (CA9 1965).

There are many other forms of illegal and reprehensible practice which may corrupt the administrative or judicial processes and which may result in antitrust violations. Misrepresentations, condoned in the political arena, are not immunized, when used in the adjudicatory process. Opponents before agencies or courts often think poorly of the other's tactics, motions, or defenses and may readily call them baseless. One claim, which a court or agency may think baseless, may go unnoticed; but a pattern of baseless, repetitive claims may emerge which leads the fact-

---

<sup>45</sup> Id. at 511 (quoting plaintiff's complaint); see *New Motor Vehicle Bd. v. Orrin W. Fox Co.*, 439 U.S. 96, 109-10 (1978).

<sup>46</sup> *California Motor Transport*, 404 U.S. at 512.



finder to conclude that the administrative and judicial processes have been abused. That may be a difficult line to discern and draw. But once it is drawn, the case is established that abuse of those processes produced an illegal result, *viz.*, effectively barring respondents from access to the agencies and courts. Insofar as the administrative or judicial processes are involved, actions of that kind cannot acquire immunity by seeking refuge under the umbrella of "political expression."<sup>47</sup>

The first half of the Douglas dictum goes no further than to indicate that certain forms of illegal behavior in an adjudicatory setting may result in penalties against the wrongdoer. A moment's reflection will indicate that this has nothing whatever to do with whether concerted activities to influence governmental action should be free of antitrust liability. Three of the examples relate to separate and distinct violations of section 1<sup>48</sup> and 2<sup>49</sup> of the Sherman Act and section 2(c) of the Robinson-Patman Act.<sup>50</sup> If the defendants in *Noerr*, while at-

<sup>47</sup> *Id.* at 512-13.

<sup>48</sup> 15 U.S.C. § 1 (1982). Section 1 provides in relevant part: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal."

<sup>49</sup> 15 U.S.C. § 2 (1982). Section 2 provides in relevant part: "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony . . . ."

<sup>50</sup> 15 U.S.C. § 13(c) (1982). Section 2(c) of the Robinson-Patman Act provides:

It shall be unlawful for any person engaged in commerce, in the course of such commerce, to pay or grant, or to receive or accept, anything of value as a commission, brokerage, or other compensation, or any allowance or discount in lieu thereof, except for services rendered in connection with the sale or purchase of goods, wares, or merchandise, either to the



tempting to influence a state legislature, had committed perjury at legislative hearings or were guilty of other discrete unlawful conduct, they would of course have been subject to independent sanctions for these unlawful acts; but such extrinsic wrongdoing would not have vitiated *Noerr's* holding that the concerted actions of the defendants were not within the ambit of the antitrust laws.

As for the second part of the Douglas dictum, no one will deny that illegal and reprehensible practices, such as misrepresentation, can corrupt the administrative or judicial process. But neither the judiciary nor the administrative bodies are powerless to protect themselves against such misbehavior.<sup>51</sup> What, then, is the legal

---

other party to such transaction or to an agent, representative, or other intermediary therein where such intermediary is acting in fact for or in behalf, or is subject to the direct or indirect control, of any party to such transaction other than the person by whom such compensation is so granted or paid.

<sup>51</sup> See, e.g., 2 U.S.C. §§ 261-270 (1982) (Federal Regulation of Lobbying Act); 2 U.S.C. §§ 431-455 (1982) (Federal Election Campaign Act); 5 U.S.C. §§ 1501-1508, 7322-7325 (1982) (political activity by government employees); 15 U.S.C. §§ 78dd-1, 78dd-2 (1982) (bribery of foreign official or political party); 18 U.S.C. §§ 541-542 (1982) (false classifications or statements regarding imports); 18 U.S.C. § 600 (1982) (promise of employment or benefit in return for political activity); 18 U.S.C. § 1001 (1982) (false, fictitious, or fraudulent statements); 18 U.S.C. §§ 1501-1515 (1982) (obstruction of justice); 18 U.S.C. §§ 1621-1623 (1982) (perjury); 18 U.S.C. §§ 1951-1952, 1962 (1982) (racketeering); 18 U.S.C. § 2071 (1982) (concealment, removal, or mutilation of government records). The courts, of course, also have the authority to police the conduct of litigants and attorneys appearing before them. See, e.g., *National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 639 (1976) (per curiam); *Wyle v. R.J. Reynolds Indus.*, 709 F.2d 585, 589-91 (9th Cir. 1983); *Nemeroff v. Abelson*, 704 F.2d 652 (2d Cir. 1983); *Morgan Consultants v. American Tel. & Tel. Co.*, 546 F. Supp. 844 (S.D.N.Y. 1982); 28 U.S.C. § 1927 (1982); Fed. R. Civ. P. 11, 16, 37; see also *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 244-47 (1944) (a court has

basis or rationale for attributing antitrust consequences to such wrongdoing? Obviously there must be more than a mere indulgence in these illegalities—the other ingredients of an antitrust transgression must be present. Was the Justice suggesting that misrepresentation, deception, unethical conduct, or perjury is irrelevant from an antitrust standpoint in a concerted appeal to the legislature or executive for action that will seriously harm, or even destroy competitors, but that when the appeal is to the judicial or administrative branches of government, the bar to antitrust liability that would otherwise exist is extinguished because of such improprieties? Does not such a distinction cut into the very heart of the *Noerr* principle that the right to petition any government agency must not be so circumscribed? The critical fact in *California Motor Transport* was that the defendants' competitors had been effectively barred from access to administrative agencies and the courts as a result of the defendants' assertion of knowingly baseless claims.<sup>52</sup> The plaintiffs, no less than the defendants, were entitled to free access to these agencies and the courts, and a scheme to deny them access by asserting knowingly frivolous claims in order to cripple their competition should result in liability. As alleged, defendants' appeals to the government were spurious, there was no reasonable basis in law or fact for the protests, the petitions were not genuine—in short, they were a sham.<sup>53</sup>

---

an equitable power to vacate its own judgment upon a showing that fraud was perpetrated on it); Fed. R. Civ. P. 60 (relief from a judgment or an order).

<sup>52</sup> See Brief for Respondents at 34-36, 41, *California Motor Transport*, 404 U.S. 508; Brief for Respondents in Opposition to Petition for Writ of Certiorari at 25, *California Motor Transport*, 404 U.S. 508.

<sup>53</sup> Cf. *Otter Tail Power Co. v. United States*, 410 U.S. 366, 372, 379-80, on remand, 360 F. Supp. 451 (D. Minn. 1973), *aff'd mem.*, 417 U.S. 901 (1974). In its initial decision, the Supreme Court held that Otter Tail had unlawfully refused to sell or distribute

It is no wonder that the lower courts have been mystified by the Douglas dictum and have been at sea as to the proper weight to be attributed to the fact that litigations were unsuccessful or were tainted by conduct that our society does not and should not condone. As Justice Douglas himself pointed out, "opponents before agencies or courts often think poorly of the other's tactics, motions, or defenses and may readily call them baseless."<sup>54</sup> In every litigation one party wins and the other loses. The winning party usually believes that his adversary's claims or defenses lacked merit. And it is not uncommon for judges to engage in *reductio ad absurdum* in rejecting an argument of counsel.

How, then, do we determine whether a claim asserted against a competitor is "baseless"? That a lawsuit is unsuccessful cannot alone be the test. Otherwise, any appeal to the courts by a competitor would be fraught with antitrust danger. To impose liability because a claim has been rejected would have a chilling effect on the

---

power to municipal systems and had denied these systems access to other suppliers of power. *Id.* at 377-79. In addition, in light of the intervening *California Motor Transport* decision, the Court remanded the case to the district court for a determination of whether Otter Tail had also engaged in sham litigation. *Id.* at 379-80. On remand, without any discussion, the district court held that Otter Tail's "repetitive use of litigation . . . to preserve defendant's monopoly . . . comes within the sham exception." 360 F. Supp. at 451-52. At least two of the litigations supporting that finding were wholly unsuccessful. See Jurisdictional Statement of Appellee at 6-19, 417 U.S. 901. As a result, the Supreme Court's subsequent affirmance without opinion, of the district court's decision on remand, stands for nothing more than the unremarkable proposition that where a party prosecutes two unsuccessful lawsuits as part of a larger unlawful scheme of monopolization, those suits may be found to constitute sham litigation. See *Illinois State Bd. of Elections v. Socialist Workers Party*, 440 U.S. 173, 180-83 (1979) (summary affirmance has a precedential effect limited to the particular issues presented and decided in the lower court).

<sup>54</sup> *California Motor Transport*, 404 U.S. at 513.

exercise of the constitutional right to petition the courts for the redress of one's grievances. Similarly, if *Noerr* is to continue to have any meaning, the fact that the unsuccessful plaintiff was animated by an anticompetitive purpose cannot be decisive. More must be required than that the suit was lost and that there was an intent to injure competitors and competition. Suppose the petitioners engaged in the assorted improprieties of the *Noerr* defendants. It is one thing to hold *Noerr* inapplicable to judicial and administrative proceedings—something that the Court has not done—but it is quite another to rule, as the Court has done, that *Noerr* applies to court litigation and then to hold that there may be antitrust liability if the suit is lost, if the purpose of bringing suit is anticompetitive, or if there is any extrinsic misconduct. *California Motor Transport* is understandable if it means—and is construed to mean—that the antitrust laws apply only where the petitioning parties assert knowingly baseless claims to the agencies and courts. As Justice Black put it, a suit is not genuine where it lacks a reasonable basis in fact and in law. If, however, there is a reasonable basis for suit, then, as in *Noerr*, improper intent and extrinsic misconduct are irrelevant from an antitrust standpoint, though they may be punishable under other laws. That is an administrable doctrine. What in our view is inadministrable is the imposition of liability when a suit is unsuccessful despite the fact that at the time it was brought there was reason to believe that it was well-founded.<sup>55</sup> It would be just as unfaithful to *Noerr* to predicate liability solely upon the anticompetitive purpose animating the suit. Moreover, regardless of the suit's merit or success, the defendants' extrinsic immoral or illegal acts should not tip the scales towards illegality.

The sham exception was never intended as a replacement for the common law remedies against malicious

---

<sup>55</sup> See, e.g., Fed. R. Civ. P. 11.

prosecution<sup>56</sup> or abuse of civil process.<sup>57</sup> Antitrust is too cumbersome an instrument to be used to monitor litigation between competitors. Nor is there any need for it to be so used. Conduct that does not rise to the level of a common law tort when a suit is between noncompetitors should not be held to be a violation of section 1 of the Sherman Act, where the litigation is instituted by a trade group against its members' competitors, or of section 2, where a single plaintiff possessing monopoly power sues a competitor. In both the competitor and noncompetitor situations, there should be liability for malicious prosecution or abuse of process where the conditions of those torts are met. There should also be sanctions against perjury, fraud, or other illegalities that taint the adjudicatory or administrative processes.<sup>58</sup> It is these sanctions—not antitrust sanctions—that should be invoked when appeal to the courts is abused. As Justice Black wrote sixteen years prior to *Noerr* in holding that certain union activity did not violate the Sherman Act:

That Act does not purport to afford remedies for all torts committed by or against persons engaged in interstate commerce. "The maintenance in our federal system of a proper distribution between state and national governments of police authority and of remedies private and public for public wrongs is of far-reaching importance. An intention to disturb the balance is not lightly to be imputed to Congress."<sup>59</sup>

We now turn to the decisions of the lower courts. While many courts have correctly confined the sham exception strictly within the limits intended by Justice Black, others, unfortunately confused by the *California*

---

<sup>56</sup> See *infra* note 165.

<sup>57</sup> See *infra* notes 178-82 and accompanying text.

<sup>58</sup> See *supra* note 51.

<sup>59</sup> *Hunt v. Crumboch*, 325 U.S. 821, 826 (1945) (quoting *Apex Hosiery Co. v. Leader*, 310 U.S. 469, 513 (1940)).

*Motor Transport* decision, have expanded the exception well beyond the holding, analysis, and express language of *Noerr*.

### III. THE DECISIONS OF THE LOWER COURTS

#### A. *A Statistical Overview*

In recent years, there has been an explosion of case law involving claims brought under the *Noerr* doctrine. The number of cases decided between 1961, the year of the *Noerr* decision, and 1980 is only slightly greater than the number decided during the last four years.<sup>60</sup> In total, almost 200 reported decisions have addressed, in one form or another, the application of the doctrine.<sup>61</sup>

In approximately fifty-five cases, the claims were dismissed or stricken as insufficient under Rule 12(b)(6) of the Federal Rules of Civil Procedure.<sup>62</sup> In about thirty-five instances, the courts upheld the claims. Of the more than 100 cases remaining, summary judgment was granted to defendants in approximately thirty-five cases and denied or reversed on appeal in about thirty. By contrast, the plaintiffs were granted summary judgment in only three instances. Of the cases that went to trial, defendants were awarded judgment or reversal of a judgment for the plaintiff in about twenty-five cases, while plaintiffs won judgment or reversal of judgment for the defendant in about fifteen cases. Finally, in the two decisions in which the Federal Trade Commission applied *Noerr*, cease and desist orders were issued in both.

---

<sup>60</sup> See Appendices A, B, and C. The Appendices refer to cases reported through approximately mid-1984.

<sup>61</sup> *Id.*

<sup>62</sup> The statistics in the following two paragraphs are based upon the cases set forth in the appendices, some of which are referred to more than once because they involved more than one type of *Noerr* claim.



With respect to the substance of the claims in these cases, about twenty involved allegations of legislative lobbying, over eighty dealt with alleged sham litigations or threats thereof, and over 100 concerned the lobbying of administrative or executive agencies or officials.<sup>63</sup> Finally, there has been a smattering of cases that have addressed, without uniformity, issues such as political and religious boycotts,<sup>64</sup> consent decree prohibitions,<sup>65</sup> evi-

<sup>63</sup> In this last category, we include such actions as zoning modifications, tariff submissions, and the granting of franchises by city councils—acts which are sufficiently distinct from the enactment of laws to be treated separately and which are, in reality, a hybrid of legislative, judicial, and executive conduct. See *infra* text accompanying note 84.

<sup>64</sup> *Noerr* has been cited in several actions under the antitrust laws seeking to enjoin political or religious boycotts. In some of the cases the claims were dismissed, while in others they were upheld. *First Circuit*: Council for Employment & Economic Energy Use v. WHDH Corp., 580 F.2d 9 (1st Cir. 1978) (complaint dismissed), cert. denied, 440 U.S. 945 (1979); Allied Int'l, Inc. v. International Longshoremen's Ass'n, 492 F. Supp. 334 (D. Mass. 1980) (complaint dismissed), rev'd on other grounds, 640 F.2d 1368 (1st Cir. 1981), aff'd, 456 U.S. 212 (1982); *Third Circuit*: Osborn v. Pennsylvania-Delaware Serv. Station Dealers Ass'n, 499 F. Supp. 553 (D. Del. 1980) (dismissal denied); Crown Cent. Petroleum Corp. v. Waldman, 486 F. Supp. 759 (M.D. Pa.) (summary judgment for defendants), rev'd on other grounds, 634 F.2d 127 (3d Cir. 1980); *Fifth Circuit*: Barr v. National Right to Life Comm., Inc., 1981-2 Trade Cas. (CCH) ¶ 64,315 (M.D. Fla.) (complaint dismissed); *Eighth Circuit*: Missouri v. National Org. for Women, Inc., 620 F.2d 1301 (8th Cir.) (posttrial judgment for defendant affirmed), cert. denied, 449 U.S. 842 (1980); *District of Columbia Circuit*: Costello Publishing Co. v. Rotelle, 670 F.2d 1035 (D.C. Cir. 1981) (summary judgment for defendants reversed). For a discussion of the application of antitrust laws to political and consumer boycotts, see Harper, The Consumer's Emerging Right to Boycott: NAACP v. Claiborne Hardware and Its Implications for American Labor Law, 93 Yale L.J. 409 (1984); Note, A Market Test for Noncommercial Boycotts, 93 Yale L.J. 523 (1984).

<sup>65</sup> United States v. Motor Vehicle Mfrs. Ass'n, 1979-1 Trade Cas. (CCH) ¶ 62,557 (C.D. Cal.) (extension of decree barring joint petitioning by competitors granted), rev'd on other grounds upon



dentiary<sup>66</sup> and discovery matters,<sup>67</sup> and, lastly, the ap-

reconsideration, 1979-2 Trade Cas. (CCH) ¶ 62,759 (C.D. Cal.), rev'd and remanded on other grounds, 643 F.2d 644 (9th Cir. 1981), decision upon reconsideration aff'd, 1982-1983 Trade Cas. (CCH) ¶ 65,175 (C.D. Cal. 1982); *United States v. Northern Cal. Pharmaceutical Ass'n*, 235 F. Supp. 378 (N.D. Cal. 1964) (modification to allow prepetitioning consultation among competitors denied); cf. *United States v. Morgan Drive Away, Inc.*, 1976-1 Trade Cas. (CCH) ¶ 60,949 (D.D.C.) (consent decree entered barring certain petitioning activities). In view of their voluntary nature, the significance of these decrees is limited.

<sup>66</sup> *First Circuit*: *Bass v. Boston Five Cent. Sav. Bank*, 478 F. Supp. 741, 746 (D. Mass. 1979) (petitioning held not evidence of conspiracy); *Second Circuit*: *Arzt v. Blue Cross & Blue Shield*, No. 78 Civ. 5723, slip op. at 12-13 (S.D.N.Y. Nov. 3, 1982) (implying that petitioning is admissible as evidence of intent); *Third Circuit*: *Schenley Indus. v. New Jersey Wine & Spirit Wholesalers Ass'n*, 272 F. Supp. 872, 883-85 (D.N.J. 1967) (admissibility of petitioning as evidence of intent not decided); *United States v. Johns-Manville Corp.*, 1964 Trade Cas. (CCH) ¶ 71,092, at 79,316 (E.D. Pa.) (petitioning held inadmissible); *Fifth Circuit*: *Household Goods Carriers' Bureau v. Terrell*, 452 F.2d 152, 158 (5th Cir. 1971) (petitioning held admissible as evidence of intent); *Sixth Circuit*: *City of Cleveland v. Cleveland Elec. Illuminating Co.*, 734 F.2d 1157, 1161-63 (6th Cir.) (petitioning held inadmissible as evidence of improper purpose), cert. denied, 105 S. Ct. 253 (1984); *Seventh Circuit*: *Weit v. Continental Ill. Nat'l Bank & Trust Co.*, 641 F.2d 457, 466-67 (7th Cir. 1981) (petitioning held inadmissible as evidence of intent), cert. denied, 455 U.S. 988 (1982); *Ninth Circuit*: *Hays v. United Fireworks Mfg.*, 420 F.2d 836, 839-41 (9th Cir. 1969) (petitioning held admissible); *Wall Prods. Co. National Gypsum Co.*, 326 F. Supp. 295, 296 n.2 (N.D. Cal. 1971) (petitioning held admissible as evidence of intent); *Tenth Circuit*: *Webb v. Utah Tour Brokers Ass'n*, 568 F.2d 670, 672 (10th Cir. 1977) (petitioning held admissible as evidence of intent).

<sup>67</sup> *Second Circuit*: *Associated Container Transp., Ltd. v. United States*, 705 F.2d 53, 58-60 (2d Cir. 1983) (*Noerr* does not bar enforcement of civil investigation demand); *Fourth Circuit*: *North Carolina Elec. Membership Corp. v. Carolina Power & Light Co.*, 666 F.2d 50, 52-53 (4th Cir. 1981) (*Noerr* does not bar discovery of documents respecting legislative lobbying); *Fifth Circuit*: *International Tel. & Tel. Corp. v. United Tel. Co.*, 60 F.R.D. 177, 187 (M.D. Fla. 1973) (attorney-client privilege enforced in claim of

plicability of the doctrine to extraterritorial conduct<sup>68</sup>

sham litigation); *Ninth Circuit*: Kockums Indus. v. Salem Equip., Inc., 561 F. Supp. 168, 173-74 (D. Or. 1983) (attorney work product discoverable in claim of sham patent action); *District of Columbia Circuit*: Australia/Eastern U.S.A. Shipping Conference v. United States, 537 F. Supp. 807, 810 (D.D.C. 1982) (*Noerr* does not bar discovery of documents if the Government's interest in obtaining the information is greater than the chilling effect of forced disclosure).

<sup>68</sup> *Doctrine Applicable*: Coastal States Mktg., Inc. v. Hunt, 694 F.2d 1358, 1364-67 (5th Cir. 1983); Platt Saco Lowell, Ltd. v. Spindelfabrik Suessen-Schurr, 1978-1 Trade Cas. (CCH) ¶ 61,898, at 73,775 (N.D. Ill. 1977), later proceeding, 208 U.S.P.Q. (BNA) 479 (N.D. Ill. 1980). *Doctrine Inapplicable*: Australia/Eastern U.S.A. Shipping Conference v. United States, 537 F. Supp. 807, 812-13 (D.D.C. 1982); Occidental Petroleum Corp. v. Buttes Gas & Oil Co., 331 F. Supp. 92, 107-08 (C.D. Cal. 1971), aff'd per curiam, 461 F.2d 1261 (9th Cir.), cert. denied, 409 U.S. 950 (1972). *Issue of Doctrine's Applicability Discussed But Not Decided*: Industrial Inv. Dev. Corp. v. Mitsui & Co., 671 F.2d 876, 882 n.6 (5th Cir. 1982), vacated and remanded on other grounds, 460 U.S. 1007, rev'd and remanded, 704 F.2d 785 (5th Cir.), cert. denied, 104 S. Ct. 393 (1983); Bulkferits, Inc. v. Salatin, Inc., 574 F. Supp. 6, 9 (S.D.N.Y. 1983); Dominicus Americana Bohio v. Gulf & W. Indus., 473 F. Supp. 680, 690 n.3 (S.D.N.Y. 1979). The Department of Justice has taken the position that *Noerr* is applicable to extra-territorial conduct. See Antitrust Guide for Int'l Operations, [Jan.-June] Antitrust & Trade Reg. Rep. (BNA), No. 799, at E-17 to -18 (Feb. 1, 1977).

Those who oppose the extra-territorial-application of *Noerr* maintain that the decision's underpinnings—the first amendment and the access of the government to the opinions of the citizenry—are not relevant to overseas petitioning. The issue, however, is whether Congress intended the antitrust laws to apply to petitioning of a foreign government. For the same reasons that Justice Black explained in *Noerr* that domestic petitioning is not within the scope of the antitrust laws, see *supra* notes 9-14 and accompanying text, we believe that foreign petitioning is also not a subject for antitrust review. See 1 P. Areeda & D. Turner, Antitrust Law ¶ 239bl, at 273-75 (1978). For a discussion of the application of the antitrust laws to foreign petitioning, see Notes, The *Noerr-Pennington* Doctrine and the Petitioning of Foreign Governments, 84 Colum. L. Rev. 1343 (1984).

and to nonantitrust claims.<sup>69</sup>

Before addressing the recurring issues that arise in claims of sham conduct, it is important that the role of the sham exception in antitrust law be kept in proper perspective: it is an "exception," not an independent ground for an antitrust action. To succeed, a private plaintiff must still establish all of the requisite elements of an antitrust offense.<sup>70</sup>

---

<sup>69</sup> In the following cases, the defendants contended that their alleged violations of nonantitrust laws were protected under the right to petition analysis of *Noerr*: *Second Circuit*: *Weiss v. Willow Tree Civic Ass'n*, 467 F. Supp. 803 (S.D.N.Y. 1979) (civil rights; *Noerr* applied); *Staker v. Board of Regents of the State Univ. of N.Y.*, No. 76 Civ. 498, partially reprinted in 1977-2 Trade Cas. (CCH) ¶ 61,703 (E.D.N.Y.) (civil rights; *Noerr* applied); *Third Circuit*: *United States v. Shober*, 489 F. Supp. 393 (E.D. Pa. 1979) (mail fraud, bribery; *Noerr* inapplicable on facts); *Fifth Circuit*: *J.P. Stevens & Co. v. Jackson*, 85 Lab. Cas. (CCH) ¶ 10,980 (N.D. Ga. 1979) (civil rights; *Noerr* applied); *Seventh Circuit*: *Havoco of Am., Ltd. v. Hollobow*, 702 F.2d 643 (7th Cir. 1983) (tort; *Noerr* applied); *Stern v. United States Gypsum, Inc.*, 547 F.2d 1329 (7th Cir.) (civil rights; *Noerr* applied), cert. denied, 434 U.S. 975 (1977); *Eighth Circuit*: *Gorman Towers, Inc. v. Bogoslavsky*, 626 F.2d 607 (8th Cir. 1980) (civil rights; *Noerr* applied).

<sup>70</sup> For example, under § 1 of the Sherman Act, 15 U.S.C. § 1 (1982), the plaintiff must demonstrate (1) a contract, combination, or conspiracy (2) constituting an unreasonable restraint of trade in a relevant market that (3) causes antitrust injury. See, e.g., *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 489 (1977); *Standard Oil Co. v. United States*, 221 U.S. 1, 59-60 (1911); *Graphic Prods. Distribs., Inc. v. Itek Corp.*, 717 F.2d 1560, 1568-69 (11th Cir. 1983); *Hornsby Oil Co. v. Champion Spark Plug Co.*, 714 F.2d 1384, 1391-94 (5th Cir. 1983); *JBL Enter. v. Jhirmack Enter.*, 698 F.2d 1011, 1016-17 (9th Cir.), cert. denied, 104 S. Ct. 106 (1983); *Dos Santos v. Columbus-Cuneo-Cabrini Medical Center*, 684 F.2d 1346, 1352 (7th Cir. 1982).

Under § 2 of the Sherman Act, 15 U.S.C. § 2 (1982), the plaintiff must prove, in addition to antitrust injury, (1) the commission of predatory conduct with (2) the specific intent to monopolize and

## B. *A Comparative Analysis*

### 1. Petitioning the Legislature and Executive

Since the *Noerr* doctrine was formulated, approximately twenty cases have concerned claims based upon petitioning the legislature.<sup>71</sup> In none of them was the challenged conduct found to be a sham. Accordingly, the defendants were sheltered by the *Noerr* doctrine. In all but one of the decisions where the relevant facts were disclosed, petitioners obtained the legislative relief they were seeking.<sup>72</sup> Although the courts' analyses were largely

---

(3) either (a) a dangerous probability of succeeding in establishing a monopoly in a relevant market or (b) possession of monopoly power in a relevant market and willful acquisition or maintenance of that power. See, e.g., *United States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966); *Swift & Co. v. United States*, 196 U.S. 375, 396 (1905); *Nifty Foods Corp. v. Great Atl. & Pac. Tea Co.*, 614 F.2d 832, 840-41 (2d Cir. 1980); *Berkey Photo, Inc. v. Eastman Kodak Co.*, 603 F.2d 263, 297-98 (2d Cir. 1979), cert. denied, 444 U.S. 1093 (1980); see also *Handler & Steuer, Attempts to Monopolize and No-Fault Monopolization*, 129 U. Pa. L. Rev. 125 (1980).

<sup>71</sup> See Appendix A.

<sup>72</sup> Compare *First Am. Title Co. v. South Dakota Land Title Ass'n*, 714 F.2d 1439 (8th Cir. 1983) (lobbying efforts led to establishment of requirement that title abstracters make an actual check of all records affecting property), cert. denied, 104 S. Ct. 709 (1984), and *Weit v. Continental Ill. Nat'l Bank & Trust Co.*, 641 F.2d 457 (7th Cir. 1981) (lobbying efforts led to increase in limit on monthly credit card interest rate), cert. denied, 455 U.S. 988 (1982), and *Subscription Television, Inc. v. Southern Cal. Theatre Owners Ass'n*, 576 F.2d 230 (9th Cir. 1978) (political action led to anti-pay television measure enacted through voter initiative), and *Rodgers v. FTC*, 492 F.2d 228 (9th Cir.) (political action barred passage of anti-litter measure), cert. denied, 419 U.S. 834 (1974), and *First Nat'l Bank v. Marquette Nat'l Bank*, 482 F. Supp. 514 (D. Minn. 1979) (lobbying efforts led to establishment of interest ceiling on charges by bank credit card issuers), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981), and *Schenley Indus. v. New Jersey Wine & Spirit Wholesalers Ass'n*, 272 F. Supp.

conclusory, in those cases where the issues were touched upon, the courts adhered to Justice Black's insistence that genuine petitioning cannot be the basis of an antitrust infraction.<sup>73</sup> As in *Noerr*, the defense has not been vitiated by misrepresentation or an overriding anticompetitive purpose.<sup>74</sup>

The decision in *Schenley Industries, Inc. v. New Jersey Wine & Spirit Wholesalers Association*,<sup>75</sup> is an excellent example of the proper way in which *Noerr* and its sham exceptions should be administered in the legislative con-

---

872, 875 (D.N.J. 1967) (lobbying efforts led to passage of statutes barring direct distribution of alcoholic beverages by distiller-controlled companies to retailers), with *Schwegmann Bros. Giant Super Mkts. v. Almaden Vineyards, Inc.*, 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.) (lobbying effort failed to cause passage of regulations and statute that would tax in-state wholesalers on liquor sold or shipped out of state).

<sup>73</sup> *First Am. Title Co. v. South Dakota Land Title Ass'n*, 714 F.2d 1439 (8th Cir. 1983), cert. denied, 104 S. Ct. 709 (1984); *Rodgers v. FTC*, 492 F.2d 228 (9th Cir.), cert. denied, 419 U.S. 834 (1974); *Schwegmann Bros. Giant Super Mkts. v. Almaden Vineyards, Inc.*, 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.); *Sims v. Tinney*, 482 F. Supp. 794 (D.S.C. 1977), aff'd mem. 615 F.2d 1358 (4th Cir. 1979); cf. *First Nat'l Bank v. Marquette Nat'l Bank*, 482 F. Supp. 514, 519 (D. Minn. 1979) ("[c]learly, First National's injury was . . . not [caused] by any 'abuse' of the lobbying process by Marquette"), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981).

<sup>74</sup> See *supra* note 73. There have been very few cases involving true executive action, i.e., where a government official is requested to act within his discretion under a broad grant of authority such as, for example, where a law enforcement official is requested to prosecute a competitor for a violation of law. See *Semke v. Enid Auto. Dealers Ass'n*, 456 F.2d 1361 (10th Cir. 1972); *Harman v. Valley Nat'l Bank*, 339 F.2d 564 (9th Cir. 1964). There is no indication in this meager body of case law that *Pennington* would not be followed. There is every reason to believe that *Noerr* and *Pennington* retain their full precedential force where the legislative or the executive is petitioned.

<sup>75</sup> 272 F. Supp. 872 (D.N.J. 1967).

text. There, the court struck from the complaint allegations that the defendant liquor wholesalers had successfully lobbied the New Jersey Legislature to enact a law prohibiting distillers, such as the plaintiff, from selling liquor directly to retailers.<sup>76</sup> Plaintiff's contention that conduct "flagrantly violative of state law" is within the scope of the antitrust laws was flatly rejected.<sup>77</sup> As Judge Coolahan explained, the focus of *Noerr* is not the abusive character or illegality of defendants' conduct, but rather Congress' intent:

Since political activity to influence public officials is beyond the purview of the Act, it does not matter that independently illegal acts can be shown; separate civil or criminal actions might lie against the perpetrators, but the lobbying is not thereby transmuted into a violation of the Act. A private anti-trust complaint is not the appropriate vehicle for state criminal laws whose enforcement is entrusted to state or local prosecutors.<sup>78</sup>

The court went on to hold, again correctly, that the alleged conduct was not sham because, regardless of their

---

<sup>76</sup> The court declined to dismiss the plaintiff's price-fixing claim based on the defendants' alleged coercion of wholesalers. *Id.* at 878-83.

<sup>77</sup> *Id.* at 884. With respect to the plaintiff's claims of improper conduct, the Court stated:

[T]he Complaint alleges no specific criminal acts in connection with the lobbying, but rather fires a broadside of general charges that the lobbying was improper. False and defamatory statements are attributed to the lobbyists, but Schenley's other vague allegations of corruption, made during argument on the motion, present no more than the apparent desire to commence a fishing expedition.

*Id.* at 885 n.22.

<sup>78</sup> *Id.* at 885 (footnote omitted); see also *Missouri v. National Org. for Women, Inc.*, 620 F.2d 1301, 1309-16 (8th Cir.) (lobbying efforts in support of "social piece of legislation" beyond scope of Sherman Act), cert. denied, 449 U.S. 842 (1980).



motive and the alleged impropriety of their conduct, the defendants in fact "were very much interested in influencing the Director and obtaining passage of the bill."<sup>79</sup> Nor could the lobbying allegations remain in the complaint as "evidence" of the "design and intent of the [alleged] price-fixing conspiracy" and of "a subsidiary conspiracy in the overall scheme to dominate the wholesale industry,"<sup>80</sup> since, as the court explained, *Pennington* expressly foreclosed that argument.<sup>81</sup>

In sum, the court's decision in *Schenley* illustrates the proper analytical framework for deciding a *Noerr* case: (1) concentrate on the issues at the pleadings stage; (2) recognize that Congressional intent is the operative standard; and (3) refuse to be sidetracked by the purported illegality or immorality of the challenged conduct.

Although other courts have also correctly analyzed the applicability of *Noerr* to legislative petitioning, by waiting for the summary judgment or trial stage to rule, they have, perhaps unwittingly, contributed to an attrition of *Noerr's* safeguards. By compelling a defendant to endure protracted discovery or trial, these courts have imposed the attendant litigation costs, which inevitably have a chilling effect on the exercise of the *Noerr* privilege. For example, in one case the defendants were granted summary judgment only after "more than four

---

<sup>79</sup> *Schenley*, 272 F. Supp. at 884-85 n.20. In addition to ruling that *Noerr* protected defendants' petitioning of the legislature, the court ruled that defendants' petitioning of the Director of the New Jersey Alcoholic Beverage Control Division was similarly sheltered. *Id.* at 883-87.

<sup>80</sup> *Id.* at 884-85.

<sup>81</sup> See *supra* text accompanying note 21. The court left to another day a ruling on the admissibility of the defendants' lobbying activities as evidence of their allegedly improper intent. *Schenley*, 272 F. Supp. at 886-87; see *supra* note 66.

and one-half years of litigation and discovery,"<sup>82</sup> while in another it was only after "extensive pretrial discovery proceedings covering a period of more than two years" that they won summary judgment.<sup>83</sup>

## 2. Petitioning Administrative Officials

The largest number of suits raising *Noerr* issues has concerned the petitioning of administrative bodies. Because of the breadth and variety of the responsibilities of such agencies, their actions can take on many of the attributes of the legislative or judicial processes. Therefore, for purposes of analysis, it is helpful to separate the cases into three categories: quasi-legislative, quasi-judicial and quasi-executive petitioning.

Quasi-legislative petitioning includes cases where the agency or official is requested to institute a new policy or regulation in much the same way that a legislature enacts a statute. A petition to a City Council to enact the overall zoning of the city would be an example of quasi-legislative petitioning. Quasi-judicial petitioning comprises cases where the agency or official is requested to apply an existing policy, regulation, or law to a particular set of circumstances. Thus, whether a proposed building design satisfies existing zoning standards would

---

<sup>82</sup> *Schwegmann Bros. Giant Super Mkts. v. Almaden Vineyards, Inc.*, 1980-1 Trade Cas. (CCH) ¶ 63,156, at 77,753 (E.D. La.).

<sup>83</sup> *Gambrel v. Kentucky Bd. of Dentistry*, 689 F.2d 612, 621 (6th Cir. 1982), cert. denied, 459 U.S. 1208 (1983). In an earlier case, which was reversed on appeal after the *Noerr* decision, the trial alone was 120 days in length. *Association of W. Rys. v. Riss & Co.*, 299 F.2d 133, 134 (D.C. Cir.), cert. denied, 370 U.S. 916 (1962).

*Goggi Corp. v. Outboard Marine Corp.*, 422 F. Supp. 361 (S.D.N.Y. 1976), presents another example of how courts can discourage *Noerr*-protected activities. There, in denying—without analysis—the defendants' motion for dismissal, the court held that defendants' meetings with members of the New York State Assembly could form the basis for the court's assertion of in personam jurisdiction over the defendants. *Id.* at 363-65.

be an example of quasi-judicial petitioning. Although these labels are helpful for purposes of analysis, it must be remembered that the categorization of many cases may be somewhat arbitrary, particularly since many cases involve numerous instances of varying types of petitioning.<sup>84</sup> Nonetheless, we believe that the same rules should apply to quasi-legislative, quasi-executive, and quasi-judicial administrative action as obtain, respectively, in the petitioning of legislative bodies, the executive, and the courts. Hence, having already analyzed legislative and executive petitioning, we now review the bulk of the cases involving quasi-judicial administrative determinations together with the many decisions dealing with petitioning of the courts.

Of the more than 100 cases involving administrative petitioning,<sup>85</sup> most concerned quasi-judicial petitioning. In some of the cases the petitions were successful and in others they were not. The greatest number involved zoning and environmental regulations<sup>86</sup> and the setting of prices, rates, or tariffs by government agencies.<sup>87</sup> An-

---

<sup>84</sup> The few cases that have involved true quasi-legislative petitioning have adhered to the rulings in *Noerr* and *Pennington* and have not attempted to impose liability for nonbaseless petitioning. Because the most pressing issues under *Noerr* are largely common to both quasi-judicial and judicial petitioning, we address them in the latter part of this Article.

<sup>85</sup> See Appendix B.

<sup>86</sup> E.g., *Miracle Mile Assocs. v. City of Rochester*, 617 F.2d 18 (2d Cir. 1980); *Bob Layne Contractor, Inc. v. Bartel*, 504 F.2d 1293 (7th Cir. 1974); *Mason City Center Assocs. v. City of Mason City*, 468 F. Supp. 737 (N.D. Iowa 1979), *aff'd in part, rev'd in part*, 671 F.2d 1146 (8th Cir. 1982); *Brown v. Carr*, 1980-1 Trade Cas. (CCH) ¶ 63,033 (D.D.C. 1979); *Miller & Son Paving v. Wrightstown Township Civ. Ass'n*, 443 F. Supp. 1268 (E.D. Pa. 1978), *aff'd mem.*, 595 F.2d 1213 (3d Cir.), *cert. denied*, 444 U.S. 843 (1979); *Foret v. Point Landing, Inc.*, 1976-2 Trade Cas. (CCH) ¶ 61,106 (E.D. La.).

<sup>87</sup> E.g., *Clipper Exxpress v. Rocky Mt. Motor Tariff Bureau, Inc.*, 674 F.2d 1252 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983);

other frequent source of litigation has been the granting of franchises or licenses, such as concessions at municipal airports<sup>88</sup> or at a municipal golf course,<sup>89</sup> hospital certificates of need,<sup>90</sup> franchises for cable television,<sup>91</sup> taxi

---

*City of Kirkwood v. Union Elec. Co.*, 671 F.2d 1173 (8th Cir. 1982), cert. denied, 459 U.S. 1170 (1983); *Transkentucky Transp. R.R. v. Louisville & N.R.R.*, 581 F. Supp. 759 (E.D. Ky. 1983); *Horsemen's Benevolent & Protective Ass'n, Inc. v. Pennsylvania Horse Racing Comm'n*, 530 F. Supp. 1098 (E.D. Pa.), aff'd mem., 688 F.2d 821 (3d Cir. 1982); *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258 (S.D. Fla. 1980); *City of Mishawaka v. American Elec. Power Co.*, 465 F. Supp. 1320 (N.D. Ind. 1979), aff'd in part, vacated in part, 616 F.2d 976 (7th Cir. 1980), cert. denied, 449 U.S. 1096 (1981).

<sup>88</sup> E.g., *Capitol Int'l Airways v. Butler Int'l, Inc.*, No. 81-1004 (6th Cir. June 1, 1982) (not for publication); *In re Airport Car Rental Antitrust Litig.*, 693 F.2d 84 (9th Cir. 1982), cert. denied, 103 S. Ct. 3114 (1983); *Hill Aircraft & Leasing Corp. v. Fulton County*, 561 F. Supp. 667 (N.D. Ga. 1982), aff'd mem., 729 F.2d 1467 (11th Cir. 1984); *Pinehurst Airlines v. Resort Air Servs.*, 476 F. Supp. 543 (M.D.N.C. 1979).

<sup>89</sup> *Kurek v. Pleasure Driveway & Park Dist.*, 557 F.2d 580 (7th Cir. 1977), vacated and remanded, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 378 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979).

<sup>90</sup> *Hospital Bldg. Co. v. Trustees of the Rex Hosp.*, 691 F.2d 678 (4th Cir. 1982), cert. denied, 104 S. Ct. 259 (1983); *Phoenix Baptist Hosp. & Medical Center v. Samaritan Health Servs.*, No. 81-5848, summarily reported at 688 F.2d 847 (9th Cir. August 25, 1982), cert. denied, 103 S. Ct. 3096 (1983); *Huron Valley Hosp., Inc. v. City of Pontiac*, 466 F. Supp. 1301 (E.D. Mich. 1979), vacated, 666 F.2d 1029 (6th Cir. 1981).

<sup>91</sup> *Hopkinsville Cable TV, Inc. v. Pennyroyal Cablevision, Inc.*, 562 F. Supp. 543 (W.D. Ky. 1982); *Charlotte Telecasters, Inc. v. Jefferson-Pilot Corp.*, 1977-1 Trade Cas. (CCH) ¶ 61,304 (W.D.N.C. 1974), aff'd on other grounds, 546 F.2d 570 (4th Cir. 1976); *Metro Cable Co. v. CATV of Rockford, Inc.*, 375 F. Supp. 350 (N.D. Ill. 1974), aff'd, 516 F.2d 220 (7th Cir. 1975).

licenses,<sup>92</sup> garbage disposal,<sup>93</sup> bus stop shelters<sup>94</sup> or ambulance services,<sup>95</sup> liquor<sup>96</sup> or drug licenses,<sup>97</sup> and permission to open a bank branch<sup>98</sup> or educational facility.<sup>99</sup> In addition, a myriad of other cases involved such matters as the promulgation of product or building code specifications,<sup>100</sup> the reopening of an airport,<sup>101</sup> product disparagement in the context of government procure-

---

<sup>92</sup> *Campbell v. City of Chicago*, 577 F. Supp. 1166 (N.D. Ill. 1983).

<sup>93</sup> *Sun Valley Disposal Co. v. Silver State Disposal Co.*, 420 F.2d 341 (9th Cir. 1969).

<sup>94</sup> *BusTop Shelters, Inc. v. Convenience & Safety Corp.*, 521 F. Supp. 989 (S.D.N.Y. 1981).

<sup>95</sup> *Gold Cross Ambulance v. City of Kansas City*, 538 F. Supp. 956 (W.D. Mo. 1982), *aff'd* on other grounds, 705 F.2d 1005 (8th Cir. 1983).

<sup>96</sup> *B.A.M. Liquors, Inc. v. Satenstein*, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D.N.Y.).

<sup>97</sup> *Israel v. Baxter Labs., Inc.*, 466 F.2d 272 (D.C. Cir. 1972).

<sup>98</sup> *United States v. Central State Bank*, 564 F. Supp. 1478 (W.D. Mich. 1983).

<sup>99</sup> *United States Dental Inst. v. American Ass'n of Orthodontists*, 396 F. Supp. 565 (N.D. Ill. 1975).

<sup>100</sup> *E.g.*, *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25 (1st Cir.), *cert. denied*, 400 U.S. 850 (1970); *Wheeling-Pittsburgh Steel Corp. v. Allied Tube & Conduit Corp.*, 573 F. Supp. 833 (N.D. Ill. 1983); *Horsemen's Benevolent & Protective Ass'n, Inc. v. Pennsylvania Horse Racing Comm'n*, 530 F. Supp. 1098 (E.D. Pa.), *aff'd mem.*, 688 F.2d 821 (3d Cir. 1982); *Eliason Corp. v. National Sanitation Found.*, 485 F. Supp. 1062 (E.D. Mich. 1977), *aff'd* on other grounds, 614 F.2d 126 (6th Cir.), *cert. denied*, 449 U.S. 826 (1980); *Rush-Hampton Indus. v. Home Ventilating Inst.*, 419 F. Supp. 19 (M.D. Fla. 1976).

<sup>101</sup> *Mark Aero, Inc. v. Trans World Airlines*, 580 F.2d 288 (8th Cir. 1978).

ment,<sup>102</sup> and the propriety of filling drug prescriptions by mail order.<sup>103</sup>

Some courts have differentiated between so-called "commercial," or "proprietary," and "political" acts of government, limiting *Noerr* to the latter category. One of the principal decisions drawing this distinction is *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*<sup>104</sup> There, defendants and their dealers allegedly conspired to submit specifications for swimming pool equipment to public authorities with the intent of excluding competitors from participating on an equal basis in the bidding process. The specifications were so drawn that only the defendant manufacturer's products could comply.<sup>105</sup> By pressuring the architects—on whom the authorities placed "heavy reliance"—to adopt these exclusionary specifications, the defendants were able to achieve a "high degree of success" in obtaining the business of public purchases.<sup>106</sup>

In overturning summary judgment for the defendants, the First Circuit held that these acts involved "purely commercial dealings" and that, as a result, *Noerr* provided no defense—irrespective of whether defendants' conduct was to be regarded as sham.<sup>107</sup> From the premise

---

<sup>102</sup> *General Aircraft Corp. v. Air Am., Inc.*, 482 F. Supp. 3 (D.D.C. 1979).

<sup>103</sup> *Federal Prescription Serv. v. American Pharmaceutical Ass'n*, 663 F.2d 253 (D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982).

<sup>104</sup> 424 F.2d 25 (1st Cir.), cert. denied, 400 U.S. 850 (1970).

<sup>105</sup> *Id.* at 27. The defendant manufacturer's alleged coconspirators were its "various dealers and representatives." *Id.* It was also alleged that the defendants made misrepresentations and threatened litigation against the plaintiff and its customers, as well as against public authorities that might contract with the plaintiff. *Id.* at 27-28.

<sup>106</sup> *Id.* at 28.

<sup>107</sup> *Id.* at 33.



that the "key" to *Noerr* was the Supreme Court's "heavy emphasis on the political nature of the railroad's activities and its repeated reference to the 'passage or enforcement of laws,'" <sup>108</sup> Judge Coffin reasoned:

The entire thrust of *Noerr* is aimed at insuring uninhibited access to government policy makers. A pluralistic society moves by many motives. The hope, supported by history, is that permitting every interest to be heard will produce a tolerable amalgam responsive to the needs of a given time. But the efforts of an industry leader to impose his product specifications by guile, falsity, and threats on a harried architect by a local board hardly rise to the dignity of an effort to influence the passage or enforcement of laws. By "enforcement of laws" we understand some significant policy determination in the application of a statute, not a technical decision about the best kind of weld to use in a swimming pool gutter.<sup>109</sup>

The court therefore concluded that the "same standard" for antitrust liability—unencumbered by *Noerr*—should apply to "dealings with public customers" as applies to dealings with private ones.<sup>110</sup>

<sup>108</sup> Id. at 32 (quoting *Noerr*, 365 U.S. at 139).

<sup>109</sup> Id. In support of this holding, the court relied on *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962). See *Whitten*, 424 F.2d at 33. Nothing in the *Continental Ore* opinion, however, supports the First Circuit's conclusion that there is a "commercial" exception to *Noerr*. See *infra* note 118.

<sup>110</sup> *Whitten*, 424 F.2d at 34. Other courts have agreed with the First Circuit's analysis in *Whitten* and have held that *Noerr* does not apply to so-called commercial, proprietary, or nonpolitical petitioning. See, e.g., *Litton Sys. v. American Tel. & Tel. Co.*, 700 F.2d 785, 807-08 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); *Kurek v. Pleasure Driveway & Park Dist.*, 557 F.2d 580, 592 n.10 (7th Cir. 1977), vacated and remanded, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 378 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979); *Israel v. Baxter Labs., Inc.*, 466 F.2d 272,

Wholly apart from the commercial-political dichotomy drawn by the court, *Whitten* can be explained on the ground that it involved a conspiracy directed against government purchasing authorities that injured not only the defendants, but the government purchasers as well. Such conduct is akin to a seller forcing an exclusive dealing arrangement upon a buyer, which, depending upon the facts, can result in a substantial lessening of competition to the harm of both the excluded competitors and the government purchaser.<sup>111</sup> Similarly, *Noerr* would provide no defense where the government official conspired with the seller.<sup>112</sup>

276-80 (D.C. Cir. 1972); *Woods Exploration & Producing Co. v. Aluminum Co. of Am.*, 438 F.2d 1286, 1296-98 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972); *In re Massachusetts Furniture & Piano Movers Ass'n, Inc.*, 3 Trade Reg. Rep. (CCH) ¶ 22,081, at 22,759 (F.T.C. Sept. 28, 1983), appeal docketed, No. 83-1892 (1st Cir. Dec. 6, 1983); *General Aircraft Corp. v. Air Am.*, 482 F. Supp. 3, 7-8 (D.D.C. 1979); *Metro Cable Co. v. CATV of Rockford, Inc.*, 375 F. Supp. 350, 357 (N.D. Ill. 1974), aff'd, 516 F.2d 220 (7th Cir. 1975); see also 1 P. Areeda & D. Turner, *supra* note 68, ¶ 206, at 52 ("[a] private person dealing with government as buyer, seller, lessor, lessee, or franchisee has no greater antitrust privilege or immunity than in similar dealings with non-governmental parties"). Cf. *Triple M Roofing Corp. v. Tremco, Inc.*, 1985-1 Trade Cas. (CCH) ¶ 66,382, at 64,873 (2d Cir.) ("The inclusion of proprietary specifications did not . . . compromise free and unfettered competition").

<sup>111</sup> 15 U.S.C. § 14 (1982); see, e.g., *Betaseed, Inc. v. U & I, Inc.*, 681 F.2d 1203, 1212-16 (9th Cir. 1982); *Spartan Grain & Mill Co. v. Ayers*, 581 F.2d 419, 425 (5th Cir. 1978), cert. denied, 444 U.S. 831 (1979).

<sup>112</sup> See *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 513 (1972); *UMW v. Pennington*, 381 U.S. 657, 671 (1965); *Parker v. Brown*, 317 U.S. 341, 351-52 (1943); see also, e.g., *Federal Prescription Serv. v. American Pharmaceutical Ass'n*, 663 F.2d 253, 264 (D.C. Cir. 1981) ("*Noerr's* protection does not apply where the government agency is a co-conspirator of those trying to influence it"), cert. denied, 455 U.S. 928 (1982); *Kurek v. Pleasure Driveway & Park Dist.*, 557 F.2d 580, 593 (7th Cir. 1977) (*Noerr* provides no defense for government officials who

Contrary to *Whitten*, the Ninth Circuit has held that *Noerr* applies to all petitioning of the government, whether it is "political" or "commercial" in nature.<sup>113</sup> In *In re Airport Car Rental Litigation*,<sup>114</sup> the court held that an alleged conspiracy among automobile rental companies to pressure airport authorities to exclude their competitors from the airport car rental market was within the scope of *Noerr*.<sup>115</sup>

Unlike the court of appeals' cursory affirmance, the district court analyzed the issue at length, correctly viewing the reasoning of Justice Black in *Noerr* as dispositive. The premise of Judge Schwarzer's opinion was that since the airport authorities had to take affirmative action to exclude the plaintiff from the airport before competition could be affected, any agreement among the defendants, no matter how exclusionary its purpose, could not, absent such government action, "restrain trade" within the mean-

---

conspire to violate the antitrust laws), vacated and remanded on other grounds, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 878 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979); *Duke & Co. v. Foerster*, 521 F.2d 1277, 1282 (3d Cir. 1975) (same); *Richard Hoffman Corp. v. Integrated Bldg. Sys.*, 581 F. Supp. 367, 374 (N.D. Ill. 1984) (same); *Affiliated Capital Corp. v. City of Houston*, 519 F. Supp. 991, 1016-23 (S.D. Tex. 1981) (antitrust claim against defendants sustained despite their governmental status), aff'd in pertinent part and rev'd on other grounds en banc, 700 F.2d 226, 237 (5th Cir.), vacated, 714 F.2d 25 (5th Cir. 1983), rev'd en banc, 735 F.2d 1555 (5th Cir. 1984), petition for cert. filed, 53 U.S.L.W. 3509 (U.S. Dec. 14, 1984) (No. 84-951).

<sup>113</sup> *In re Airport Car Rental Antitrust Litig.*, 693 F.2d 84, 87-88 (9th Cir. 1982), aff'g 521 F. Supp. 568, 577-81 (N.D. Cal. 1981), cert. denied, 103 S. Ct. 3114 (1983); accord, e.g., *Capitol Int'l Airways v. Butler Int'l, Inc.*, No. 81-1004 (6th Cir. June 1, 1982) (not for publication).

<sup>114</sup> 693 F.2d 84 (9th Cir. 1982).

<sup>115</sup> *Id.* at 88.

ing of the Sherman Act.<sup>116</sup> In addition, the court noted that the Supreme Court had failed in its later cases to draw any distinction between "political" and "commercial" petitioning. Thus, in *Pennington* the Supreme Court implicitly rejected any distinction between political or policy-making actions and commercial activities, applying the stated principle both to the defendants' joint approach to the Secretary of Labor to obtain establishment of a minimum wage for employees of contractors selling to the TVA and to the approach to the TVA to curtail its spot market purchases from exempt contractors, all intended to drive small coal operators out of business.<sup>117</sup>

Similarly, as Judge Schwarzer also pointed out, in *California Motor Transport*, the Court specifically held that

<sup>116</sup> 521 F. Supp. at 574. The court explained:

Such an agreement imposes no restraint of trade. It may influence the airport authorities to restrict competition in the on-airport car rental market, but that restriction results from the decisions of the airport authorities as to the number of companies they allow to enter that market and the terms required of those companies, decisions which the airport authorities are necessarily authorized to make in the course of performing their function of managing the airports. Any restraint therefore flows, not from the joint action of defendants, but from the airport authorities' exercise of their statutory authority and duty to manage the facilities in their charge.

*Id.* (footnotes omitted). As the court also recognized, *Noerr* held that joint petitioning "does not fall within the scope of the Sherman Act in the first place, not that it is removed from the act by an exemption" or by operation of the first amendment. *Id.* at 575-76; see *supra* notes 9-10, 14 and accompanying text. Accordingly, the court explained: "If the Sherman Act does not reach agreements to influence the actions of others because they impose no restraint, it would be incorrect to treat such agreements as falling within an 'exemption' or 'immunity' provision subject to the presumption against repeal by implication." *Id.* at 575 n.11; see *supra* note 16 and accompanying text.

<sup>117</sup> 521 F. Supp. at 580.

"groups with common interests" may petition the government, not just with respect to political matters, but also "respecting resolution of their business and economic interests *vis-a-vis* their competitors." <sup>118</sup> Finally, the court correctly recognized that any commercial exception to *Noerr* had been "implicitly rejected in the [Supreme] Court's recent commercial speech decisions" since if "the free flow of commercial information to private decision-makers serves an important public interest, the flow of that information to public decisionmakers presents the *a fortiori* case." <sup>119</sup>

Although the Ninth Circuit's decision was based on a rejection of any distinction between commercial, or proprietary, and political petitioning, it really stands for the proposition that granting a franchise is a government act protected by *Noerr*. Since the grant of a franchise, license, or the like necessarily affects competition, if *Noerr* were held not to apply in these instances, then its protection would be greatly diminished in view of the substantial number of franchise and license cases that

---

<sup>118</sup> *Id.* at 578 n.12 (quoting *California Motor Transport*, 404 U.S. at 510-11). The court distinguished the Supreme Court's decision in *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962), on the grounds that there the Court did "not address the permissible scope of joint activities to influence public officials," but rather merely held that "*Noerr* afforded no defense" to defendants' *private* commercial conduct engaged in with a *private* company "appointed by the Canadian government as its exclusive agent to purchase and allocate" vanadium. *Id.* at 579 n.16 (citing *Continental Ore*, 370 U.S. at 707-08).

<sup>119</sup> *In re Airport*, 521 F. Supp. at 580-81 (footnote omitted) (citing *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748 (1976), and *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557 (1980); *Bates v. State Bar of Ariz.*, 433 U.S. 350 (1977); see also *Bolger v. Youngs Drugs Prods. Corp.*, 103 S. Ct. 2875 (1983) (unsolicited mailing of contraceptive advertisements to the public cannot be prohibited under the first amendment)).

have been litigated.<sup>120</sup> In sum, the commercial-political distinction is misleading, unnecessary, and potentially harmful to the broad immunity the Court recognized in *Noerr*.

### 3. Petitioning the Courts

The starting point for analysis of any claim that a lawsuit is sham must be that "[t]he fundamental requisite of due process of law is the opportunity to be heard."<sup>121</sup> Yet the recent dramatic increase in reliance upon the sham exception,<sup>122</sup> as well as the tendency of defendants to assert an antitrust counterclaim that the plaintiff's suit is baseless,<sup>123</sup> threaten to subvert *Noerr* from a shield into a sword. It is now common in patent, trademark, or copyright infringement litigation for the defendant to counterclaim that the filing of suit constitutes a violation of the antitrust laws.<sup>124</sup> The second largest

<sup>120</sup> See *supra* notes 88-99 and accompanying text.

<sup>121</sup> *Grannis v. Ordean*, 234 U.S. 385, 394 (1914); see *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 429-30 & n.5 (1982).

<sup>122</sup> Between 1961, when *Noerr* was decided, and the end of 1975, there were only 10 reported cases in which the sham exception was invoked. See Appendix C. From 1976 through 1983, there were 75, an increase of 750%. *Id.* By contrast, during approximately the same period, the number of private antitrust suits decreased by 13%, while the total number of private litigations filed increased by 71%. 1983 Dir. Ad. Off. U.S. Cts. Ann. Rep., Table C-2, at 219; 1975 Dir. Ad. Off. U.S. Cts. Ann. Rep., Table C-2 at 354.

<sup>123</sup> Prior to 1979, in only nine of the 21 reported decisions (31%) were the claims asserted in counterclaims. Since January 1, 1979, the figures are 26 of 64 (42%). See Appendix C.

<sup>124</sup> In 16 out of 19 patent, trademark, and copyright cases involving *Noerr* claims, the claims arose in counterclaims or in the affirmative defense of trademark misuse. *Counterclaims*: *Miller Brewing Co. v. General Brewing Co.*, Nos. 82-4479, 82-4500 (9th Cir. June 17, 1983) (not for publication); *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1257 (9th Cir. 1982); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, 290-91 (10th Cir. 1974), cert. denied, 419 U.S. 1120 (1975); *Alberto-*



category of *Noerr* litigation consists of counterattacks asserting that the original claims of trade secret theft or violations of fiduciary duties or ancillary agreements not to compete were sham.<sup>125</sup> The third largest category re-

Culver Co. v. Andrea Dumon, Inc., 466 F.2d 705, 711 (7th Cir. 1972); Columbia Pictures Indus. v. Redd Horne Inc., 568 F. Supp. 494, 501 (W.D. Pa. 1983); AB Iro v. Otex, Inc., 566 F. Supp. 419, 460-64 (D.S.C. 1983); Deere & Co. v. Farmhand, Inc., 560 F. Supp. 85, 100-01 (S.D. Iowa 1982), aff'd, 721 F.2d 253 (8th Cir. 1983); Rohm & Haas Co. v. Dawson Chem. Co., 557 F. Supp. 739, 793-99 (S.D. Tex. 1983); Picante, Inc. v. Jimenez Food Prods., Inc., 1982-2 Trade Cas. (CCH) ¶ 64,977, at 73,060-61 (W.D. Tex.); GCA Corp. v. Chance, 1981-1983 Copyright L. Dec. (CCH) ¶ 25,464, at 17,767 (N.D. Cal. 1982); Manpower, Inc. v. Foley, 212 U.S.P.Q. (BNA) 445, 448-49 (D. Mass. 1980); Pennwalt Corp. v. Zenith Labs., Inc., 472 F. Supp. 413, 423-24 (E.D. Mich. 1979), appeal dismissed, 615 F.2d 1362 (6th Cir. 1980); Loctite Corp. v. Fel-Pro, Inc., 1978-2 Trade Cas. (CCH) ¶ 62,204, at 73,357-58 (N.D. Ill.); Platt Saco Lowell, Ltd. v. Spindelfabrik Suessen-Schurr, 1978-1 Trade Cas. (CCH) ¶ 61,898, at 73,775 (N.D. Ill. 1977), later proceeding 208 U.S.P.Q. (BNA) 479 (N.D. Ill. 1980). *Affirmative Defense*: Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672, 686-87 (S.D.N.Y. 1979). *Direct Claims*: Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 992-98 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980), judgment for plaintiff on remand, 522 F. Supp. 820 (N.D. Cal. 1982), aff'd, 743 F.2d 1282 (9th Cir. 1984), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); Consortium, Inc. v. Knoxville Int'l Energy Expo., 563 F. Supp. 56, 58 (E.D. Tenn. 1983); Classic Film Museum, Inc. v. Warner Bros., 523 F. Supp. 1230, 1233-34 (D. Me. 1981).

<sup>125</sup> Aydin Corp. v. Loral Corp., 718 F.2d 897 (9th Cir. 1983); Hydro-Tech Corp. v. Sundstrand Corp., 673 F.2d 1171 (10th Cir. 1982); National Cash Register Corp. v. Arnett, 554 F. Supp. 1176 (D. Colo. 1983); Baxter Travenol Labs., Inc. v. LeMay, 536 F. Supp. 247 (S.D. Ohio 1982); Sage Int'l, Ltd. v. Cadillac Gage Co., 507 F. Supp. 939 (E.D. Mich. 1981); Johns-Manville Corp. v. Guardian Indus., 1981-1 Trade Cas. (CCH) ¶ 64,054 (E.D. Mich.); Technicon Medical Info. Sys. v. Green Bay Packaging, Inc., 480 F. Supp. 124 (E.D. Wis. 1979); Cyborg Sys. v. Management Science Am., Inc., 1978-1 Trade Cas. (CCH) ¶ 61,927 (N.D. Ill.); Strategic Mktg. Servs. v. Cut & Curl, Inc., 1977-2 Trade Cas. (CCH) ¶ 61,788 (D. Conn.); United States v. Empire Gas Corp., 393 F. Supp. 903 (W.D. Mo. 1975), aff'd, 537 F.2d 296 (8th Cir. 1976), cert. denied, 429 U.S. 1122 (1977).

lates to claims arising out of zoning regulations, particularly the location of shopping centers.<sup>126</sup> The remaining alleged sham suits run the gamut from breach of contract actions<sup>127</sup> to challenges that offers of computer services violate the National Bank Act,<sup>128</sup> that the use of double crypts in cemeteries is unlawful,<sup>129</sup> and that the grant of government licenses is improper.<sup>130</sup>

Unfortunately, the facts and holdings of many of these cases are unclear since it is not uncommon for plaintiffs to assert conclusory allegations of sham<sup>131</sup> and for the

---

<sup>126</sup> *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891 (2d Cir. 1981); *Bob Layne Contractor, Inc. v. Bartel*, 504 F.2d 1293 (7th Cir. 1974), aff'g 1973-2 Trade Cas. (CCH) ¶ 74,646 (S.D. Ind.); *Ross v. Bremer*, 1982-2 Trade Cas. (CCH) ¶ 64,746 (W.D. Wash.); *Dominicus Americana Bohio v. Gulf & W. Indus.*, 473 F. Supp. 680 (S.D.N.Y. 1979); *Wilmorite, Inc. v. Eagan Real Estate, Inc.*, 454 F. Supp. 1124 (N.D.N.Y. 1977), aff'd mem., 578 F.2d 1372 (2d Cir.), cert. denied, 439 U.S. 983 (1978).

<sup>127</sup> See, e.g., *Valerio v. Boise Cascade Corp.*, 645 F.2d 699 (9th Cir. 1981) (per curiam), aff'g and adopting 80 F.R.D. 626 (N.D. Cal. 1978), cert. denied, 454 U.S. 1126 (1981); *Chest Hill Co. v. Guttman*, 1981-2 Trade Cas. (CCH) ¶ 64,417, at 75,049-59 (S.D. Ohio); *Realco Serv., Inc. v. Holt*, 479 F. Supp. 880, 883-85 (E.D. Pa. 1979).

<sup>128</sup> *Association of Data Processing Servs. Orgs. v. Citibank*, 508 F. Supp. 91 (S.D.N.Y. 1980).

<sup>129</sup> *Mountain Grove Cemetery Ass'n v. Norwalk Vault Co.*, 428 F. Supp. 951 (D. Conn. 1977).

<sup>130</sup> *B.A.M. Liquors, Inc. v. Satenstein*, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D.N.Y.); *Central Bank v. Clayton Bank*, 424 F. Supp. 163 (E.D. Mo.), aff'd mem., 553 F.2d 102 (8th Cir. 1976), cert. denied, 443 U.S. 910 (1977).

<sup>131</sup> See, e.g., *Valerio v. Boise Cascade Corp.*, 645 F.2d 699, 700 (9th Cir. 1981) (per curiam), aff'g and adopting 80 F.R.D. 626, 650-52 (N.D. Cal. 1978), cert. denied, 454 U.S. 1126 (1981); *Association of Data Processing Servs. Orgs. v. Citibank*, 508 F. Supp. 91, 93 (S.D.N.Y. 1980); *Reaemco, Inc. v. Allegheny Airlines*, 496 F. Supp. 546, 558 n.10 (S.D.N.Y. 1980).

courts either merely to state their holdings without any explanation<sup>132</sup> or to discuss the issues in an unclear manner.<sup>133</sup> While this has resulted in considerable confusion, where the facts have been sufficiently described, the precise holdings of most of the cases can in large measure be reconciled with *Noerr* and its progeny.

a. *The Possible Multiplicity of Claims Requirement*—A frequently litigated question is whether the sham exception applies to a single suit against the antitrust plaintiff or whether it is necessary to show a “pattern of baseless, repetitive claims.”<sup>134</sup> Initially, some courts

---

<sup>132</sup> See, e.g., *First Am. Title Co. v. South Dakota Land Title Ass'n*, 714 F.2d 1439, 1445-48 (8th Cir. 1983), cert. denied, 104 S. Ct. 709 (1984); *Picante, Inc. v. Jimenez Food Prods., Inc.*, 1982-2 Trade Cas. (CCH) ¶ 64,977, at 73,063-64 (W.D. Tex.); *GCA Corp. v. Chance*, 1981-1983 Copyright L. Dec. (CCH) ¶25,464, at 17,766-67 (N.D. Cal. 1982); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 686-87 (S.D.N.Y. 1979); *United States v. Empire Gas Corp.*, 393 F. Supp. 903, 914 (W.D. Mo. 1975); aff'd, 537 F.2d 296 (8th Cir. 1976), cert. denied, 429 U.S. 1122 (1977); *Baltimore & O.R.R. v. New York, N.H. & H.R.R.*, 196 F. Supp. 724, 748 (S.D.N.Y. 1961).

<sup>133</sup> See, e.g., *Rohm & Haas Co. v. Dawson Chem. Co.*, 557 F. Supp. 739, 842 (S.D. Tex. 1983); *Rahal v. Crestmont Cadillac Corp.*, 514 F. Supp. 926, 932-33 (N.D. Ohio 1981); *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258, 1264-66 & n.5 (S.D. Fla. 1980); *Technicon Medical Info. Sys. v. Green Bay Packaging, Inc.*, 480 F. Supp. 124, 126-28 (E.D. Wis. 1979); *Colorado Petroleum Marketers Ass'n v. Southland Corp.*, 476 F. Supp. 373, 377-80 (D. Colo. 1979); *Mountain Grove Cemetery Ass'n v. Norwalk Vault Co.*, 428 F. Supp. 951, 956 (D. Conn. 1977).

<sup>134</sup> *California Motor Transport*, 404 U.S. at 513. In *Vendo Co. v. Lektro-Vend Corp.*, 433 U.S. 623 (1977), three members of the Court, in an opinion by Justice Rehnquist, ruled that § 16 of the Clayton Act, 15 U.S.C. § 26 (1982), does not authorize injunctions against allegedly sham suits pending in a state court. Justice Blackmun and the Chief Justice concurred in the result, but concluded that “pending state-court proceedings . . . must be part of a ‘pattern of baseless, repetitive claims’”—which they were not in the instant case—before an injunction may be entered. 433

limited the exception to repetitive litigation<sup>135</sup> or required proof of a denial of access.<sup>136</sup> The weight of authority, however, is to the contrary.<sup>137</sup> As one judge colorfully

---

U.S. at 644 (quoting *California Motor Transport*, 404 U.S. at 513). Justice Stevens and the three remaining members of the Court dissented, arguing that § 16 expressly authorizes injunctions against sham state court proceedings, even if only one suit is pending. *Id.* at 661-62.

<sup>135</sup> *Hospital Bldg. Co. v. Trustees of Rex Hosp.*, 691 F.2d 678, 687-88 (4th Cir. 1982), cert. denied, 104 S. Ct. 259 (1983); *Johns-Manville Corp. v. Guardian Indus.*, 1981-1 Trade Cas. (CCH) ¶ 64,054, at 76,426-27 (E.D. Mich.); *S.M. Arnold, Inc. v. Union Carbide Corp.*, 487 F. Supp. 1182, 1184 (E.D. Mo. 1980); *Mountain Grove Cemetery Ass'n v. Norwalk Vault Co.*, 428 F. Supp. 951, 955-56 (D. Conn. 1977); *Rush-Hampton Indus. v. Home Ventilating Inst.*, 419 F. Supp. 19, 24 (M.D. Fla. 1976).

<sup>136</sup> *City of Cleveland v. Cleveland Elec. Illuminating Co.*, 734 F.2d 1157, 1162-63 (6th Cir.), cert. denied, 105 S. Ct. 253 (1984); *BusTop Shelters, Inc. v. Convenience & Safety Corp.*, 521 F. Supp. 989, 995 (S.D.N.Y. 1981) (lack of allegation of denial of access to government official a factor in court's decision to dismiss complaint); *Central Bank v. Clayton Bank*, 424 F. Supp. 163, 167 (E.D. Mo. 1976), *aff'd mem.*, 553 F.2d 102 (8th Cir.), cert. denied, 433 U.S. 910 (1977). But see *Litton Sys. v. American Tel. & Tel. Co.*, 700 F.2d 785, 809 n.36 (2d Cir. 1983) ("applicability of the sham exception [does not turn] on whether a competitor is barred from access to administrative agencies or the courts"), cert. denied, 104 S. Ct. 984 (1984); *Transkentucky Transp. R.R. v. Louisville & N.R.R.*, 581 F. Supp. 759, 770 (E.D. Ky. 1983) (deprivation of access to judicial or administrative forum need not be alleged to maintain an action under the antitrust laws); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168, 176-78 (D. Del. 1979) (defendant's "access" to judicial process held insufficient to invalidate defendant's counterclaim that plaintiff instituted a "sham" claim).

<sup>137</sup> *MCI Communications Corp. v. American Tel. & Tel. Co.*, 708 F.2d 1081, 1154-55 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983); *National Cash Register Corp. v. Arnett*, 554 F. Supp. 1176, 1177-78 (D. Colo. 1983); *First Am. Title Co. v. South Dakota Land Title Ass'n*, 541 F. Supp. 1147, 1159 (D.S.D. 1982), *aff'd*, 714 F.2d 1439 (8th Cir. 1983), cert. denied, 104 S. Ct. 709 (1984); *Baxter Travenol Labs., Inc. v. LeMay*, 536 F. Supp. 247, 253 n.4 (S.D. Ohio 1982); *Sage Int'l, Ltd. v. Cadillac Gage Co.*, 507 F.

put it, the Court in *California Motor Transport* did not “inten[d] to give every dog one free bite, thus making it an irrebuttable presumption that the first lawsuit was not a sham regardless of overwhelming evidence indicating otherwise.”<sup>138</sup>

b. *The Significance of the Meritoriousness of the Allegedly Sham Suit*—Once it has been determined that a treble damage action can be based on a single suit, the next question to be addressed is whether sham in a litigation context is different from sham petitioning of the legislative or executive branches. Whether a claim of sham can be maintained where the earlier litigation was successful should be the easiest issue for the courts to resolve. It should be self-evident that a suit cannot, in any sense of the word, be “sham” where it has been

---

Supp. 939, 944-47 (E.D. Mich. 1981); *First Nat'l Bank v. Marquette Nat'l Bank*, 482 F. Supp. 514, 519-21 (D. Minn. 1979), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981); *Technicon Medical Info. Sys. v. Green Bay Packaging, Inc.*, 480 F. Supp. 124, 127-28 (E.D. Wis. 1979); *Colorado Petroleum Marketers Ass'n v. Southland Corp.*, 476 F. Supp. 373, 378-79 (D. Colo. 1979); see also 1 P. Areeda & D. Turner, *supra* note 68, ¶ 203.1e, at 8 (Supp. 1982) (number of unsuccessful suits is probative but not determinative).

In the Ninth Circuit, two panels strongly implied in unpublished opinions that more than one suit was necessary. *Miller Brewing Co. v. General Brewing Co.*, Nos. 82-4479, 82-4500 (9th Cir. June 17, 1983); *Acquarian Prods., Inc. v. Dyna Clean, Inc.*, No. 80-5925 (9th Cir. April 9, 1982). Ten days after the first opinion, but without referring to it, another panel reached a contrary conclusion, as did two later decisions. *Clipper Express v. Rocky Mt. Motor Tariff Bureau, Inc.*, 674 F.2d 1252, 1265-67 (9th Cir. 1982), cert. denied, 103 S. Ct. 1234 (1983); *Aydin Corp. v. Loral Corp.*, 718 F.2d 897, 903 (9th Cir. 1983); *Energy Conservation, Inc. v. Heliodyne, Inc.*, 698 F.2d 386, 388-89 (9th Cir. 1983). Similarly, the last three opinions, *Clipper Express*, *Aydin*, and *Energy Conservation*, failed to refer to the earlier contrary decisions of the other panels.

<sup>138</sup> *Colorado Petroleum Marketers Ass'n v. Southland Corp.*, 476 F. Supp. 373, 378 (D. Colo. 1979).

round meritorious.<sup>139</sup> This was implicit in Justice Douglas' characterization of the oppositions in *California Motor Transport* as "baseless."<sup>140</sup> However, some courts, curiously enough, have intimated that "success alone" is not determinative,<sup>141</sup> that "success is . . . only one factor

---

<sup>139</sup> *Columbia Pictures Indus. v. Redd Horne Inc.*, 749 F.2d 154, 161 (3d Cir. 1984); *Town of Massena v. Niagara Mohawk Power Corp.*, 1980-2 Trade Cas. (CCH) ¶ 63,526, at 76,818 (N.D.N.Y.); see *Taylor Drug Stores, Inc. v. Associated Dry Goods Corp.*, 560 F.2d 211, 213-14 (6th Cir. 1977) (per curiam); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, 290-91 (10th Cir. 1974), cert. denied, 419 U.S. 1120 (1975); *City of Mishawaka v. American Elec. Power Co.*, 465 F. Supp. 1320, 1345-46 (N.D. Ind. 1979), aff'd in part and remanded on other grounds, 616 F.2d 976 (7th Cir. 1980), cert. denied, 449 U.S. 1096 (1981); *Bracken's Shopping Center, Inc. v. Ruwe*, 273 F. Supp. 606, 608 (S.D. Ill. 1967); see also *Citizen's Wholesale Supply Co. v. Snyder*, 201 F. 907, 909-10 (3d Cir.) (defendant not liable for antitrust violation where he acted in good faith to redress the violation of an ordinance, even if the ordinance was of doubtful validity), cert. denied, 229 U.S. 609 (1913).

<sup>140</sup> 404 U.S. at 513.

<sup>141</sup> *Unity Ventures v. County of Lake*, 1984-1 Trade Cas. (CCH) ¶ 65,883, at 67,719-20 (N.D. Ill. 1983) (success in earlier administrative proceeding is not determinative). Compare *Ross v. Bremer*, 1982-2 Trade Cas. (CCH) ¶ 64,746, at 71,618 (W.D. Wash.) (success not determinative), and *Aydin Corp. v. Loral Corp.*, 718 F.2d 897, 903 (9th Cir. 1983) (success might be helpful as one indication of plaintiff's intent in bringing the suit), and *Wood v. MacDonald Group, Ltd.*, No. 82-5563 (9th Cir. March 21, 1983) (success is determinative), and *Anti-Monopoly, Inc. v. General Mills, Inc.*, 684 F.2d 1326, 1328 (9th Cir. 1982) (same), and *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1257 n.17 (9th Cir. 1982) (the court did not decide whether success is determinative, but opined that the contrary view "appears questionable").

The Ninth Circuit in *Wood* interpreted *Coca-Cola* as setting a hard and fast rule that no successful action can be a sham. The district court in *Ross* relied for its contrary conclusion on *Ernest W. Hahn, Inc. v. Coddington*, 615 F.2d 830, 841 n.13 (9th Cir. 1980), where the Ninth Circuit stated that "success before the . . . adjudicative body is not the sole criterion for determining whether a



to consider in determining whether an action is a 'sham' " <sup>142</sup> or that the defendant's success, "at a minimum, create[s] a presumption that the action was [not sham]." <sup>143</sup> How a successful suit can conceivably be a sham is not explained, nor do we understand how it could be.

Suppose a lawsuit against a competitor is unsuccessful. Under what circumstances would antitrust liability be incurred? We begin with the admitted fact in all of these cases that the suit was motivated by an anticompetitive purpose and that it caused injury to competitors, competition, and, more particularly, to the antitrust plaintiff. Given that the railroads' "sole purpose" in *Noerr* "was to *destroy*" its competitors <sup>144</sup> and that in

---

. . . proceeding was undertaken as a sham . . . , [but] is [only] a factor [to be] considered." By contrast, the Ninth Circuit in *Wood* and *Coca-Cola* did not refer to *Hahn*, while in *Aydin* it relied on *Hahn* to imply that success is not determinative, but, true to form, failed to refer to *Anti-Monopoly* or *Coca-Cola*. In its final word on the matter, the Ninth Circuit, in affirming the dismissal of a counterclaim alleging sham litigation., *Sealy, Inc. v. Easy Living, Inc.*, 743 F.2d 1378 (9th Cir. 1984), interpreted *Coca-Cola* as standing for the proposition that there was "no authority for holding meritorious lawsuits to be 'sham' litigation violative of [the] antitrust laws." *Id.* at 1384.

<sup>142</sup> *Sunergy Communities, Inc. v. Aristek Props., Ltd.*, 535 F. Supp. 1327, 1331 (D. Colo. 1982).

<sup>143</sup> *Manpower, Inc. v. Foley*, 212 U.S.P.Q. (BNA) 445, 449 (D. Mass. 1980); see also *Baxter Travenol Labs., Inc. v. LeMay*, 536 F. Supp. 247, 252 (S.D. Ohio 1982) (success, "while not a rigid requirement . . . , is strong evidence, and is probably dispositive"); *Central Bank v. Clayton Bank*, 424 F. Supp. 163, 167 (E.D. Mo. 1976) (success has some weight in determining whether a suit is a sham), *aff'd mem.*, 553 F.2d 102 (8th Cir.), cert. denied, 433 U.S. 910 (1977); *P. Areeda & D. Turner*, *supra* note 68, ¶ 203.1d, at 7 (Supp. 1982) (a successful suit creates "a strong presumption that its assertion cannot have been a sham").

<sup>144</sup> *Noerr*, 365 U.S. at 138 (emphasis added). As the Supreme Court recently explained, in *Noerr* the Court's "conclusion was not

*Pennington* the Court reiterated that *Noerr* bars the imposition of antitrust liability for petitioning "regardless of intent or purpose,"<sup>145</sup> one would have thought that the issue of whether such animus by itself could constitute sham had been conclusively settled. Happily, most courts have denied liability based solely on the defendants' intent.<sup>146</sup> Some judges, however, have held that if a defendant seeks governmental action in order to harm his competitor, the antitrust laws can be applied to his petitioning.<sup>147</sup> An egregious example is one

---

changed by the fact that the railroads' anticompetitive purpose produced an anticompetitive effect." *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 913-14 (1982).

<sup>145</sup> *Pennington*, 381 U.S. at 670.

<sup>146</sup> See, e.g., *City of Cleveland v. Cleveland Elec. Illuminating Co.*, 734 F.2d 1157, 1162 (6th Cir.), cert. denied, 105 S. Ct. 253 (1984); *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171, 1175 (10th Cir. 1982); *Mark Aero, Inc. v. Trans World Airlines*, 580 F.2d 288, 294 (8th Cir. 1978); *Interstate Props. v. Pyramid Co.*, 586 F. Supp. 1160, 1162 (S.D.N.Y. 1984); *Southern Pac. Communications Co. v. American Tel. & Tel. Co.*, 556 F. Supp. 825, 870-71 (D.D.C. 1983), aff'd, 740 F.2d 980 (D.C. Cir. 1984); *Sims v. Tinney*, 482 F. Supp. 794, 801 (D.S.C. 1977), aff'd mem., 615 F.2d 1358 (4th Cir. 1979); *Wall Prods. Co. v. National Gypsum Co.*, 326 F. Supp. 295, 296 n.2, 328 (N.D. Cal. 1971).

<sup>147</sup> See *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1371-72 (5th Cir. 1983); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982), cert. denied, 103 S. Ct. 2430 (1983) (discussed *infra* notes 156-88 and accompanying text); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 993-96 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980), judgment for plaintiff on remand, 522 F. Supp. 820 (N.D. Cal. 1982), aff'd, 743 F.2d 1282 (9th Cir. 1984), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); *U.S. Audio & Copy Corp. v. Philips Business Sys.*, 1983-1 Trade Cas. (CCH) ¶ 65,364, at 70,174 (N.D. Cal.); *Brown v. Carr*, 1980-1 Trade Cas. (CCH) ¶ 63,033, at 77,127-28 (D.D.C. 1979); *BED Transp. Co. v. United States Steel Corp.*, 1976-2 Trade Cas. (CCH) ¶ 61,079, at 69,871-72 (N.D. Cal.); *United States Dental Inst. v. American Ass'n of Orthodontists*, 396 F. Supp. 565, 582-83 (N.D. Ill. 1975).

court's refusal to dismiss a suit alleging that the defendant's "intent and purpose" in opposing the plaintiff's request to the Civil Aeronautics Board for a "subsidy" was one of a series of "predatory" acts made to "eliminat[e] plaintiff as a viable competitor."<sup>148</sup> It goes without saying that a decision holding that opposition to the grant of a government subsidy to a competitor can be the predicate for an antitrust violation is irreconcilable with even the most strained reading of *Noerr*.

We come next to the case where, though the prior suit was unsuccessful or is still pending, it is unquestioned that the plaintiff in that litigation acted in good faith, that there is a genuine issue of fact or law with respect to the merits of the suit, or, put another way, that the antitrust defendant had a "reasonable expectation of obtaining [a] favorable ruling."<sup>149</sup> The case law in this area is not harmonious. Some courts have held that a claim that can survive a summary judgment motion on legal or factual grounds is necessarily not baseless.<sup>150</sup> Similarly, if a litigant succeeds in convincing a trial or appellate court that its case is meritorious then, regardless of the ultimate resolution of the action, *Noerr* applies. For example, if the same legal issue raised by the defendant's suit was considered substantial enough for the Supreme Court to grant a writ of certiorari,

---

<sup>148</sup> *Aloha Airlines v. Hawaiian Airlines*, 349 F. Supp. 1064, 1065, 1068 (D. Hawaii 1972), aff'd on other grounds, 489 F.2d 203 (9th Cir. 1973), cert. denied, 417 U.S. 913 (1974). Compare *Reaemco, Inc. v. Allegheny Airlines*, 496 F. Supp. 546, 556-58 (S.D.N.Y. 1980) (dismissal of plaintiff's claim that defendants' lobbying to prevent a grant of federal funds to plaintiff, which ultimately resulted in plaintiff's bankruptcy, violated the antitrust laws).

<sup>149</sup> 1 P. Areeda & D. Turner, *supra* note 68, ¶ 203.1a, at 5 (1982 Supp.).

<sup>150</sup> See, e.g., *Chest Hill Co. v. Guttman*, 1981-2 Trade Cas. (CCH) ¶ 64,417, at 75,057 (S.D. Ohio); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168, 175 (D. Del. 1979).

then the action is, without need for any additional proof, not sham.<sup>151</sup> More generally, some courts have rejected claims that a lawsuit is sham where the suit raised "legitimate concerns"<sup>152</sup> or where related parties signed consent judgments admitting key allegations in the complaint.<sup>153</sup> In sum, at least where any court or an opposing party finds merit in a suit, many courts have held that it should be deemed nonbaseless and, as a result, not sham as a matter of law.<sup>154</sup> And if the suit is

---

<sup>151</sup> *Adolph Coors Co. v. A & S Wholesalers*, 561 F.2d 807, 812 (10th Cir. 1977). But compare *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891, 894 n.6, 896-97 (2d Cir. 1981) (finding that facts fit sham exception despite grant of certification by state supreme court), with *id.* at 898 (Van Graafeiland, J., dissenting) ("a case in which the [state] Supreme Court has seen fit to grant certification can hardly be described as 'sham'").

<sup>152</sup> *Plumbers & Steamfitters Local 598 v. Morris*, 511 F. Supp. 1298, 1308 (E.D. Wash. 1981).

<sup>153</sup> *Pennwalt Corp. v. Zenith Labs., Inc.*, 472 F. Supp. 413, 424 (E.D. Mich. 1979), appeal dismissed *mem.*, 615 F.2d 1362 (6th Cir. 1980).

<sup>154</sup> See, e.g., *Omni Resource Dev. Corp. v. Conoco, Inc.*, 739 F.2d 1412 (9th Cir. 1984); *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1256-57 (9th Cir. 1982); *Alberto-Culver Co. v. Andrea Dumon, Inc.*, 466 F.2d 705, 711 (7th Cir. 1972); *GCA Corp. v. Chance*, 1981-1983 Copyright L. Dec. (CCH) ¶ 25,464, at 17,766-67 (N.D. Cal. 1982); *S.M. Arnold, Inc. v. Union Carbide Corp.*, 487 F. Supp. 1182, 1184 (E.D. Mo. 1980). But see *Anti-Monopoly, Inc. v. General Mills, Inc.*, 684 F.2d 1326, 1328 (9th Cir. 1982) (summary judgment for defendants reversed notwithstanding district court's grant of summary judgment on the allegedly sham suit, a judgment that already had been reversed); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 989 n.5 (9th Cir. 1979) (despite fact that underlying issue "could have been decided either way" at prior stage of litigation, verdict for plaintiff reversed and remanded), cert. denied, 444 U.S. 1025 (1980), judgment for plaintiff on remand, 552 F. Supp. 820 (N.D. Cal. 1982), *aff'd*, 743 F.2d 1282 (9th Cir. 1984), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); cf. *Winterland Concessions Co. v. Trela*, 735 F.2d 257, 263 n.4 (7th Cir. 1984) (dismissal reversed notwithstanding prior issuance of *ex parte* temporary restraining orders).

not baseless, some courts have held that it follows that the protections of *Noerr* should extend to acts reasonably related to the suit, such as threats of bringing non-baseless actions, or acts taken to defend against a suit, such as a joint defense or the creation of a joint defense fund.<sup>155</sup>

c. *The Grip-Pak Decision*—Unfortunately, these decisions do not stand alone. The paradigm of the decisions holding that a suit having a basis in law and fact may nevertheless fall within the scope of the sham exception is *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*<sup>156</sup> The plaintiff, Grip-Pak, alleged that the defendant, Il-

---

<sup>155</sup> See, e.g., *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1367-68 (5th Cir. 1983); *Zenith Radio Corp. v. Matsushita Elec. Indus.*, 513 F. Supp. 1100, 1155-57 (E.D. Pa. 1981), *aff'd* in part, *rev'd* in part sub nom. *In re Japanese Elec. Prods. Antitrust Litig.*, 723 F.2d 238 & *id.* at 319 (3d Cir. 1983); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168, 174 (D. Del. 1979); *Pennwalt Corp. v. Zenith Labs., Inc.* 472 F. Supp. 413, 424 (E.D. Mich. 1979), appeal dismissed *mem.*, 615 F.2d 1362 (6th Cir. 1980); *Gould v. Control Laser Corp.*, 462 F. Supp. 685, 693 (M.D. Fla. 1978), appeal dismissed in part and *aff'd* in part, 650 F.2d 617 (5th Cir. 1981); *Clairol, Inc. v. Boston Discount Center*, 1976-2 Trade Cas. (CCH) ¶ 61,108, at 70,020 (E.D. Mich.), *aff'd* on other grounds, 608 F.2d 1114 (6th Cir. 1979). But see *Alexander v. National Farmers Org.*, 687 F.2d 1173, 1200-03 (8th Cir. 1982) (threats of litigation are outside the *Noerr-Pennington* exemption), *cert. denied*, 461 U.S. 937 (1983); *Oahu Gas Serv. v. Pacific Resources, Inc.*, 460 F. Supp. 1359, 1386 (D. Hawaii 1978) (threats of litigation directed at competitor's customers are not within the *Noerr* exception).

<sup>156</sup> 694 F.2d 466 (7th Cir. 1982), *cert. denied*, 103 S. Ct. 2430 (1983).

In *Associated Radio Serv. v. Page Airways*, 414 F. Supp. 1088, 1096 (N.D. Tex. 1976), the court employed an analysis similar to that of the *Grip-Pak* court, stating that the "baselessness" of a lawsuit "is only one aspect of various possible abuses of the legal process" that could constitute sham litigation. The Fifth Circuit later "agree[d]" with this view of the law. *Associated Radio Serv. v. Page Airways*, 624 F.2d 1342, 1358 (5th Cir. 1980), *cert. denied*, 450 U.S. 1030 (1981).

Illinois Tool Works, was the "dominant manufacturer" of plastic holders for "six-packs" of beer and other beverages.<sup>157</sup> It claimed that Illinois Tool prosecuted three allegedly "baseless and groundless lawsuits in bad faith, not for the legitimate purpose of adjudicating a legal controversy, but, rather, for an ulterior motive, i.e., to eliminate competition."<sup>158</sup> One of these suits, brought in state court, charged Grip-Pak with the theft of trade secrets.<sup>159</sup> In that action, Grip-Pak had counterclaimed that Illinois Tool was guilty of malicious prosecution in bringing the action.<sup>160</sup> The state court precluded Grip-Pak from litigating the issue at trial but, in ruling against Illinois Tool, it expressly found that the action was "not malicious."<sup>161</sup> In the subsequent antitrust case, the district court granted summary judgment to Illinois Tool, holding that the prior finding of no malice was entitled to collateral estoppel effect and that, accordingly, because a "nonmalicious lawsuit is not actionable under the antitrust laws," Illinois Tool's suit "could not be a source of antitrust injury to Grip-Pak."<sup>162</sup>

The Court of Appeals for the Seventh Circuit reversed. As a prelude to finding an antitrust violation, the court decided that because the parties had not litigated the question of malice during the state court trial, the district court had erred in ruling that the plaintiff was collaterally estopped from raising that issue in the antitrust suit.<sup>163</sup> Instead of simply remanding the case at that point, the court radically departed from *Noerr's* teach-

---

<sup>157</sup> *Grip-Pak*, 694 F.2d at 468.

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

<sup>160</sup> *Id.*

<sup>161</sup> *Id.*

<sup>162</sup> *Id.*

<sup>163</sup> *Id.* at 469-70.



ings, holding that a well-founded lawsuit could constitute sham and result in antitrust liability to the "sham" litigant.

In an opinion by Judge Posner, the court began its analysis by framing the scope of the sham exception in terms of the reach of the first amendment.<sup>164</sup> Using this constitutional approach, the court likened antitrust claims of sham litigation to the torts of malicious prosecution and abuse of process. After noting that under Illinois law malicious prosecution requires proof of "improper purpose" and "lack of probable cause to believe that the lawsuit may have merit,"<sup>165</sup> Judge Posner stated that to make out a case of abuse of process all that need be shown is that the suit was brought with an improper purpose.<sup>166</sup> The court then reasoned: "If abuse of process is not constitutionally protected, no more should litigation that has an improper anticompetitive purpose be protected, *even though the plaintiff has a colorable claim.*"<sup>167</sup> Having denied constitutional protection to litigation having an improper anticompetitive purpose, the court concluded that a suit commenced with such a purpose can give rise to antitrust liability.<sup>168</sup> Judge Posner explained:

---

<sup>164</sup> Id. at 470-71.

<sup>165</sup> Id. at 470. To prove a claim of malicious prosecution, the plaintiff must establish that (a) the defendant actively initiated or continued a criminal proceeding against the plaintiff; (b) the proceeding was terminated in favor of the plaintiff; (c) the defendant did not have probable cause that its initiation or continuation of the proceeding was well-founded; and (d) the defendant's primary purpose was other than to bring the plaintiff to justice. See W. Prosser, *Law of Torts* § 119 (4th ed. 1971); Restatement (Second) of Torts § 653 (1977). In recent years, many jurisdictions have expanded the tort to include civil, as well as criminal, proceedings. Prosser, *supra*, at § 120; see Restatement, *supra*, at § 674.

<sup>166</sup> *Grip-Pak*, 694 F.2d at 470-71.

<sup>167</sup> Id. at 471 (emphasis added).

<sup>168</sup> Id. at 472.

But we are not prepared to rule that the difficulty of distinguishing lawful from unlawful purpose in litigation between competitors is so acute that such litigation can never be considered an actionable restraint of trade, provided it has some, though perhaps only threadbare, basis in law. Many claims not wholly groundless would never be sued on for their own sake; the stakes, discounted by the probability of winning, would be too low to repay the investment in litigation.

. . . [W]e think it is premature to hold that litigation, unless malicious in the tort sense, can never be actionable under the antitrust laws. The existence of a tort of abuse of process shows that it has long been thought that litigation could be used for improper purposes even when there is probable cause for the litigation; and if the improper purpose is to use litigation as a tool for suppressing competition in an antitrust sense, see, e.g., *Products Liability Ins. Agency, Inc. v. Crum & Forster Ins. Cos.*, 682 F.2d 660, 663-64 (7th Cir. 1982), it becomes a matter of antitrust concern. This is not to say that litigation is actionable under the antitrust laws merely because the plaintiff is trying to get a monopoly. He is entitled to pursue such a goal through lawful means, including litigation against competitors. *The line is crossed when his purpose is not to win a favorable judgment against a competitor but to harass him, and deter others, by the process itself—regardless of outcome—of litigating.*<sup>169</sup>

It is impossible to square these views with the holding in *Noerr* and the other decisions of the Supreme Court; nor did Judge Posner attempt to do so. Nowhere in his opinion did he refer to the fact that in *Noerr* it was undisputed that the defendants' "sole purpose . . . was to

---

<sup>169</sup> Id. (emphasis added).

destroy" their competitors or that the Court had held that the "legality" of the defendants' conduct "was not at all affected by any anticompetitive purpose it may have had."<sup>170</sup> Similarly, Judge Posner left unmentioned Justice White's recognition in *Pennington* that "Noerr shields from the Sherman Act a concerted effort to influence public officials *regardless of intent or purpose*."<sup>171</sup> Nor did the Seventh Circuit explain how—contrary to the numerous contrary decisions,<sup>172</sup> all of which it ignored—a suit instituted with probable cause could, without torturing the English language, be labelled "sham."<sup>173</sup> In short, it is difficult to conceive of an opinion more at war with *Noerr* than *Grip-Pak*.

---

<sup>170</sup> *Noerr*, 365 U.S. at 138-40 (emphasis added).

<sup>171</sup> *Pennington*, 381 U.S. at 670 (emphasis added).

<sup>172</sup> See, e.g., *supra* notes 149-54 and accompanying text.

<sup>173</sup> In support of its "reject[ion of] the proposition that a non-malicious lawsuit can never violate antitrust law," the court stated that its holding was "supported by most of the cases . . . on the question." *Grip-Pak*, 694 F.2d at 473. But cf. *supra* notes 139-54 and accompanying text. As grounds for this categorical statement, the court cited only two cases: *Kobe, Inc. v. Dempsey Pump Co.*, 198 F.2d 416 (10th Cir.), cert. denied, 344 U.S. 837 (1952), and *Rex Chainbelt, Inc. v. Harco Prods., Inc.*, 512 F.2d 993 (9th Cir.), cert. denied, 423 U.S. 831 (1975). The first was decided nine years prior to *Noerr*. See *Baxter Travenol Labs., Inc. v. LeMay*, 536 F. Supp. 247, 252 (S.D. Ohio 1982). The second did not even cite *Noerr*, *Pennington*, or *California Motor Transport*, let alone construe those decisions in the manner in which the court in *Grip-Pak* did. In *Kobe*, the court held that a patent was invalid and that the plaintiff had pooled patents in a scheme of monopolization. It also held that even though the plaintiff "did not institute the infringement action in bad faith but believed that some of its patents were infringed," the action "may be considered as having been done to give effect to the unlawful scheme" since the "real purpose of the infringement action and the incidental activities of [the plaintiff] was to further the existing monopoly and to eliminate [the defendant] as a competitor." 198 F.2d at 424-25. The court also held, however, that the "infringement action and the related activities, of course, in themselves were not unlawful, and standing

What is more, the *Grip-Pak* opinion was based upon improper assumptions about both the doctrinal basis for the sham exception and the elements of the tort of abuse of process. Contrary to the court of appeals' view of the scope of the sham exception as a matter of first amendment interpretation, the Court's decision in *Noerr* was based on a construction of the antitrust laws; it was not a ruling of first amendment dimension.<sup>174</sup> The issue was whether Congress intended the antitrust laws to proscribe petitioning of the government. Using the same mode of analysis as it did in *Parker v. Brown*,<sup>175</sup> the *Noerr* Court

---

alone would not be sufficient to sustain a claim for damages which they may have caused." *Id.* at 425. In *Rex Chainbelt*, a patent infringement action, the court held a patent invalid and the plaintiff's licensing program an unlawful tying arrangement. It further stated, however, that the plaintiffs "had a consistent program of bringing patent infringement suits against all other" competitors "attendant to a *bona fide* belief that it was done in protection of their patent." 512 F.2d at 1003 (emphasis added). In any event, to the extent *Kobe* and *Rex Chainbelt* stand for the proposition that institution of a nonbaseless suit can be the predicate for antitrust liability because it is part of a broader unlawful scheme, they are directly contrary to *Pennington* and, as explained below, are at odds with *Noerr* and everything for which it stands. But see *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1371 n.42 (5th Cir. 1983); *Clipper Express v. Rocky Mt. Motor Tariff Bureau, Inc.*, 674 F.2d 1252, 1274 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983), where the courts approved of *Kobe* and *Rex Chainbelt*.

<sup>174</sup> See *supra* notes 9-10, 14, 16, 116, and accompanying text.

<sup>175</sup> 317 U.S. 341 (1943); see *supra* note 10 and accompanying text; see also *Hoover v. Ronwin*, 104 S. Ct. 1989, 1995-98 (1984) (because it was acting as sovereign, conduct of Arizona Supreme Court's Committee on Examinations and Admissions in ruling on petitions for admission to the bar is exempt from Sherman Act liability regardless of ruling's anticompetitive intent or effect). But compare *Community Communications Co. v. City of Boulder*, 455 U.S. 40, 48-51 (1982) (local governments that are not acting *ultra vires* but are not acting in furtherance or implementation of clearly articulated and affirmatively expressed state policy are not exempt from antitrust liability), with *id.* at 60-71 (Rehnquist, J., dissenting), and *Handler*, *supra* note 18, at 1363, 1374-83 (the state action

held that the answer was negative—regardless of whether the conduct was constitutionally protected. By ignoring this holding, Judge Posner completely changed the focus of any *Noerr* analysis. For the question of whether Congress intended to apply the antitrust laws to petitioning conduct is vastly different, implicating vastly different concerns, than whether that conduct is constitutionally protected. Simply because the first amendment may not immunize the filing of nonbaseless lawsuits from all state and federal regulation does not mean that in 1890 Congress intended to prohibit such suits under the antitrust laws. Plainly, if, as Judge Posner posits, the question is whether “all nonmalicious litigation [is] immunized from government regulation by the First Amendment,”<sup>176</sup> the likelihood of a negative answer is much greater than if the question is whether Congress intended that the antitrust laws apply to the bringing of such a suit.<sup>177</sup>

Furthermore, the Seventh Circuit was incorrect in assuming that institution of a lawsuit for an improper

---

doctrine set forth in *Parker* is one of preemption, not exemption, and the determinative question must be whether there exists true state regulation, which should be respected, or private conduct masquerading as such, to which the Sherman Act should apply).

<sup>176</sup> *Grip-Pak*, 694 F.2d at 471.

<sup>177</sup> To be sure, Judge Posner acknowledges that the “holding [in *Noerr*] was presented as an interpretation of the Sherman Act rather than of the First Amendment.” *Id.* But he ignores this fact in his analysis. As he put it, the issue before the court was whether a “colorable claim” is “constitutionally protected.” *Id.* He also went on to suggest that “[i]t takes a rather free-wheeling imagination to extrapolate from the *California Motor Transport* opinion a principle that . . . would . . . make the tort of abuse of process invalid under the First Amendment.” *Id.* As described below, this conclusion is premised on a fundamental misapprehension of the elements of that tort as well as begging the issue, which is not whether the first amendment invalidates the tort of abuse of process, but whether an action against a competitor for anticompetitive purposes is violative of the Sherman Act.

motive is sufficient to make out a common law claim for abuse of process. It is black letter law that to establish an abuse of process, the plaintiff must prove that the defendant (a) had a primary, ulterior purpose in using the process *and* (b) committed a definite act or threat that was not authorized by the process.<sup>178</sup> Moreover, the very decision the court of appeals relied upon held to the contrary:

It has been repeatedly held in Illinois—that mere institution of proceedings does not in and of itself constitute abuse of process. Some act must be alleged whereby there has been a misuse or perversion of the process of the court. It is the settled law of Illinois that *mere institution of a suit or proceeding, even with a malicious intent or motive, does not itself constitute an abuse of process.*<sup>179</sup>

That court, in turn, had quoted with approval the “settled law of New York” that “the gist of the tort of abuse of process ‘. . . is the improper use of the process, *after its issuance*, to achieve a collateral, improper purpose.’ ”<sup>180</sup> Mere proof of an “ulterior motive” is not suf-

---

<sup>178</sup> See W. Prosser, Law of Torts § 121 (4th ed. 1971); Restatement (Second) of Torts § 682 & comment a (1977). In an action based on misuse of federal process, the law of the state in which the process was issued controls. There is no federal common law of abuse of process. *Wheeldin v. Wheeler*, 373 U.S. 647, 652 (1963); see, e.g., *Selas Corp. of Am. v. Wilshire Oil Co.*, 344 F. Supp. 357, 359-60 (E.D. Pa. 1972); *Alberto-Culver Co. v. Andrea Dumon, Inc.*, 295 F. Supp. 1155, 1159 (N.D. Ill. 1969), *aff'd* in relevant part, 466 F.2d 705 (7th Cir. 1972).

<sup>179</sup> *Holiday Magic, Inc. v. Scott*, 4 Ill. App. 3d 962, 967, 282 N.E.2d 452, 455-56 (1972) (emphasis added); see *Havoco of Am., Ltd. v. Hollobow*, 702 F.2d 643, 647 (7th Cir. 1983).

<sup>180</sup> *Holiday Magic, Inc. v. Scott*, 4 Ill. App. 3d 962, 968, 282 N.E.2d 452, 457 (quoting *Cardy v. Maxwell*, 9 Misc. 2d 329, 330, 169 N.Y.S.2d 547, 549 (Sup. Ct. 1957)); *Dean v. Kochendorfer*, 237 N.Y. 384, 390, 143 N.E. 229, 231 (1924); see *Federal Prescription Serv. v. American Pharmaceutical Ass'n*, 663 F.2d 253, 263 n.9



ficient.<sup>181</sup> Instead, there must be a "misuse or perversion of regularly issued legal process for a purpose not justified by the nature of the process," that is, for a "collateral objective."<sup>182</sup>

---

(D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982); *Baxter Travenol Labs., Inc. v. LeMay*, 536 F. Supp. 247, 249 (S.D. Ohio 1982); *Chest Hill Co. v. Guttman*, 1981-2 Trade Cas. (CCH) ¶ 64,417, at 75,054-59 (S.D. Ohio); *Baker Driveaway Co. v. Bankhead Enters.*, 478 F. Supp. 857, 860 (E.D. Mich. 1979); *Associated Radio Serv. v. Page Airways*, 414 F. Supp. 1088, 1096 (N.D. Tex. 1976), aff'd in relevant part, 624 F.2d 1342, 1358 (5th Cir. 1980), cert. denied, 450 U.S. 1030 (1981); *Board of Educ. v. Farmingdale Classroom Teachers Ass'n, Inc.* Local 1889, 38 N.Y.2d 397, 403, 343 N.E.2d 278, 282, 380 N.Y.S.2d 635, 642 (1975); Note, *Limiting the Antitrust Immunity for Concerted Attempts to Influence Courts and Adjudicatory Agencies: Analogies to Malicious Prosecution and Abuse of Process*, 86 Harv. L. Rev. 715, 732-35 (1973).

<sup>181</sup> *Board of Educ. v. Farmingdale Classroom Teachers Ass'n, Inc.* Local 1889, 38 N.Y.2d 397, 403, 343 N.E.2d 278, 282, 380 N.Y.S.2d 635, 642 (1975); accord *Curiano v. Suozzi*, 63 N.Y.2d 113, 116-17, 480 N.Y.S.2d 466, 468-69, N.E.2d 1324, 1326 (1984).

<sup>182</sup> *Board of Educ. v. Farmingdale Classroom Teachers Ass'n, Inc.* Local 1889, 38 N.Y.2d 397, 400, 402, 343 N.E.2d 280, 282, 380 N.Y.S.2d 635, 639, 641 (1975). Examples of such actionable, abusive conduct include the following: serving subpoenae on 87 prospective witnesses to testify on the same day while knowing that they could not possibly do so and yet refusing to agree to stagger their appearances; obtaining an injunction or other process to frustrate or compel the performance of a contract; and garnishing wages with knowledge that they are exempt from garnishment in order to jeopardize the plaintiff's employment and, thus, coerce him into using his exempt earnings to pay his debt to the defendant. See *Weiss v. Hunna*, 312 F.2d 711, 717 (2d Cir.), cert. denied, 374 U.S. 853 (1963); *Czap v. Credit Bureau*, Cal. App. 3d 1, 5-6, 86 Cal. Rptr. 417, 419-20 (Dist. Ct. App. 1970); *Holiday Magic, Inc. v. Scott*, 4 Ill. App. 3d 962, 966-68, 282 N.E.2d 452, 455-56 (1972); *Board of Educ. v. Farmingdale Classroom Teachers Ass'n* Local 1889, 38 N.Y.2d at 404, 343 N.E.2d at 283, 380 N.Y.S.2d at 643. Judge Posner's reliance in *Grip-Pak*, 694 F.2d at 472, on *Products Liab. Ins. Agency, Inc. v. Crum & Forster Inc. Cos.*, 682 F.2d 660, 663-64 (7th Cir. 1982), was also misplaced. *Products Liability*,

Finally, by requiring that every suit turn on the intent of the defendant, the *Grip-Pak* court has almost guaranteed that each case will be submitted to a jury. For as the Supreme Court recently reminded us, the issue of intent "is a pure question of fact,"<sup>183</sup> dependent upon the "unique opportunity afforded the [fact finder] to evaluate the credibility of witnesses."<sup>184</sup> Necessarily, "[f]indings as to the design, motive and intent with which men act depend peculiarly upon the credit given to witnesses by those who see and hear them."<sup>185</sup> Compelling defendants to proceed to trial, with all its attendant costs and disruptions, can only discourage businesses from petitioning the government—clearly not the result intended in *Noerr*.<sup>186</sup> While a heightened pleading requirement may be of some help,<sup>187</sup> subjecting defendants to

---

also authored by Judge Posner, had nothing at all to do with the "use of litigation" as abuse of process. Rather, it concerned an insurance company's refusal to deal with an insurance broker who also happened to be a lawyer.

<sup>183</sup> *Pullman-Standard v. Swint*, 456 U.S. 273, 287-88 (1982).

<sup>184</sup> *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 (1982).

<sup>185</sup> *United States v. Yellow Cab Co.*, 338 U.S. 338, 341 (1949); see *United States v. Oregon State Medical Soc'y*, 343 U.S. 326, 339 (1952).

<sup>186</sup> See *Hoover v. Ronwin*, 104 S. Ct. 1989, 2002 n.34 (1984) (the Court, in holding that a complaint alleging that Arizona's bar admission "grading formula was devised for the purpose of limiting competition" must be dismissed under the state action doctrine, recognized that "[i]f such an allegation is sufficient to survive a motion to dismiss, examining boards and committees would have to bear the substantial 'discovery and litigation burdens' attendant particularly upon refuting a charge of improper motive").

<sup>187</sup> In *Franchise Realty Interstate Corp. v. San Francisco Local Joint Executive Bd. of Culinary Workers*, 542 F.2d 1076 (9th Cir. 1976), cert. denied, 430 U.S. 940 (1977), the Ninth Circuit, in dismissing a claim of alleged sham opposition to the grant of construction permits, held that:

wide-ranging discovery and trial may be a cure worse than the disease.

Regrettably, the Supreme Court denied a petition for certiorari in *Grip-Pak*,<sup>188</sup> thus bypassing an excellent opportunity to reaffirm the limited scope of the sham exception. Simply put, *Noerr* cannot be harmonized with a holding that nonbaseless claims can be classified as sham merely because their assertion rests upon an improper motive.

d. *The AT&T Decisions*—In two recent decisions upholding large judgments against the American Telephone and Telegraph Company, there is confusing language, as

---

[I]n any case, whether antitrust or something else, where a plaintiff seeks damages or injunctive relief, or both, for conduct which is prima facie protected by the First Amendment, the danger that the mere pendency of the action will chill the exercise of First Amendment rights requires more specific allegations than would otherwise be required.

*Id.* at 1082-83. Some courts have intimated that such a heightened pleading requirement is necessary in order to protect the right to petition. See *Omni-Resource Dev. Corp. v. Conoco, Inc.*, 739 F.2d 1412, 1415 (9th Cir. 1984); *Wood v. MacDonald Group, Ltd.*, No. 82-5563 (9th Cir. March 31, 1983) (not for publication); *Energy Conservation, Inc. v. Heliodyne, Inc.*, 698 F.2d 386, 389 (9th Cir. 1983); *Caplan v. American Baby, Inc.*, 582 F. Supp. 869, 871 (S.D.N.Y. 1984); *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171, 1177 n.8 (10th Cir. 1982). Most courts, however, have held that the regular standards of notice pleading apply to the same extent as in any other suit. See *Sage Int'l, Ltd. v. Cadillac Gage Co.*, 507 F. Supp. 939, 943-44 (E.D. Mich. 1981); *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258, 1267 (S.D. Fla. 1980); *MCI Communications Corp. v. American Tel. & Tel. Co.*, 462 F. Supp. 1072, 1102 (N.D. Ill.), *aff'd per curiam*, 594 F.2d 594 (7th Cir. 1978), *cert. denied*, 440 U.S. 971 (1979); *cf. Levitch v. Columbia Broadcasting Sys.*, 495 F. Supp. 649, 662 (S.D.N.Y. 1980) ("absent the likelihood of a chilling effect upon defendants' protected conduct, the normal pleading requirements will control"), *aff'd*, 697 F.2d 495 (2d Cir. 1983).

<sup>188</sup> 103 S. Ct. 2430 (1983).

there is in *Grip-Pak*, suggesting that abuse of process is a sufficient basis for antitrust liability.<sup>189</sup> But the decisions themselves are founded upon the juries' determination that AT&T knew that there was no reasonable basis in law and fact for its actions before the administrative bodies.

In *MCI Communications Corp. v. American Telephone & Telegraph Co.*,<sup>190</sup> the crux of MCI's claim was that AT&T had "filed tariffs with state utility commissions in bad faith . . . to deny MCI interconnections" of its long distance telephone lines with AT&T's local facilities.<sup>191</sup> MCI contended that "these tariffs were sham proceedings in the sense that AT&T filed the tariffs knowing that the state commissions lacked jurisdiction over long distance interconnection matters."<sup>192</sup> In finding that AT&T's petitions were baseless, the jury relied on direct testimony

---

<sup>189</sup> *MCI Communications Corp. v. American Tel. & Tel. Co.*, 708 F.2d 1081, 1156 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983); *Litton Sys. v. American Tel. & Tel. Co.*, 700 F.2d 785, 809-11 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); see also *Hospital Bldg. Co. v. Trustees of the Rex Hosp.*, 691 F.2d 678 (4th Cir. 1982), cert. denied, 104 S. Ct. 259 (1983), where, in reversing a posttrial judgment for the plaintiff, the Fourth Circuit "hesitate[d] at this time to rule that any act accompanying a larger conspiracy in restraint of trade, which also may be fairly characterized as 'abuse of process' falls within the sham exception." *Id.* at 688. The District of Columbia Circuit has also declined to rule on the question. *Federal Prescription Serv. v. American Pharmaceutical Ass'n*, 663 F.2d 253, 264 & n.11 (D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982). However, in *Associated Radio Serv. v. Page Airways*, 624 F.2d 1342, 1358 (5th Cir. 1980), cert. denied, 450 U.S. 1030 (1981), the Fifth Circuit approved of the district court's decision, 414 F. Supp. 1088, 1096 (N.D. Tex. 1976), that "there can be no doubt that [the sham exception] includes the . . . conventional tort [of] abuse of process" and "may include the tort of malicious prosecution."

<sup>190</sup> 708 F.2d 1081 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983).

<sup>191</sup> *Id.* at 1156.

<sup>192</sup> *Id.*

and on "internal memoranda" of AT&T, a contrary "previous position" AT&T has espoused before the Federal Communications Commission ("FCC"), and "over twelve months of bad faith negotiations" by AT&T with MCI.<sup>193</sup> On appeal, the Seventh Circuit held that by deliberately delaying MCI and by filing knowingly baseless tariffs with utility commissions in forty-nine states, AT&T had unlawfully maintained its monopoly:

MCI had to face the prospect of litigation in forty-nine different forums to establish its right to offer its private line services. Any changes in its own charges or services might also then have to be brought before these forty-nine state commissions. This requirement alone would greatly increase litigation costs by requiring MCI to spread its resources across the country and would necessitate the retention of numerous local legal counsel. Perhaps the most harmful aspect of this strategy is the possibility that at least one commission would refuse to allow the proposed service, which might undermine the creation of a nationwide communication system. AT&T's strategy also forced MCI to bear additional costs and expenses in connection with litigation before the courts and the FCC to establish its right to interconnections.<sup>194</sup>

In other words, by finding that there were reasonable grounds to support the jury's verdict, the court of appeals merely applied the holding in *California Motor Transport* that baseless, repetitive conduct can constitute sham.

In *Litton Systems, Inc. v. American Telephone & Telegraph Co.*,<sup>195</sup> the Second Circuit held, inter alia, that

<sup>193</sup> Id. at 1157-58.

<sup>194</sup> Id. at 1158.

<sup>195</sup> 700 F.2d 785 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984).

*Noerr* did not protect either AT&T's filing of tariffs with the FCC requiring customers to use only devices of its own design to interconnect their telephone systems with AT&T's lines, or its efforts to convince the FCC to continue those tariffs. Specifically, the court held that the jury had had sufficient evidence before it to find that AT&T's actions were sham, that is, that "AT&T knew that the FCC's basic position was that AT&T could not exclude 'any device' . . . absent a showing of actual harm" to its equipment.<sup>196</sup> The supporting evidence included AT&T's internal reports, proof of AT&T's efforts to do "what it could to delay and obfuscate the efforts undertaken by the FCC and other interested parties to develop certification standards," AT&T's repeated assertions of "the harm that would flow from certification standards without once demonstrating a single instance of harm," its recognition "that the interface device was redundant, uneconomic, and unnecessary," and its "affirmativ[e] misl[eading of] the FCC."<sup>197</sup> Relying on Professor Areeda's formulation of the sham exception as requiring that the petitioner have "no reasonable expectation of obtaining the favorable ruling,"<sup>198</sup> the court held that the evidence at trial amply supported the jury's conclusion that "AT&T had no realistic hope that the FCC

---

<sup>196</sup> *Id.* at 810.

<sup>197</sup> *Id.* at 811. The court's holding was in the alternative since it had earlier decided—incorrectly we believe—that the filing of tariffs is not a political act and, therefore, is not protected by *Noerr*, whether or not the filings are sham. *Id.* at 806-09; see *supra* notes 104-20 and accompanying text. But see *Phonetele, Inc. v. American Tel. & Tel. Co.*, 1984-1 Trade Cas. (CCH) ¶ 65,921, at 67,971 (C.D. Cal.) (questioning this holding); *MCI*, 708 F.2d at 1153 (under *Noerr*, activities such as tariff filings are immune from antitrust liability where purpose is to influence governmental action), cert. denied, 104 S. Ct. 234 (1984).

<sup>198</sup> 1 P. Areeda & D. Turner, *supra* note 68, ¶ 203.1a (1982 Supp.).



would approve the interface device" and that, therefore, its actions were baseless."<sup>199</sup>

Although the specific holdings in *MCI* and *Litton* are consistent with the *Noerr* doctrine and its sham exception, a strong argument can be made that the courts, as a matter of law, should have overturned the juries' verdicts as contrary to evidence. In *MCI* it was undisputed that "[a]t the time Bell filed its interconnection tariffs . . . , no court had determined that the FCC had exclusive jurisdiction over the tariffs."<sup>200</sup> And when the United States Court of Appeals for the District of Columbia Circuit finally did so rule, the majority described the issue as "substantial,"<sup>201</sup> and one judge dissented.<sup>202</sup> Under these circumstances, it would not be unreasonable to conclude that AT&T's position was not without substance and that it should not have been heavily penalized for raising the issue.

Similarly, the Second Circuit stated in *Litton* that in the 1968 *Carterfone* decision<sup>203</sup> the FCC had "in a very real sense cemented its [position] . . . such that from AT&T's perspective it had to be clear as a bell" that AT&T could not succeed.<sup>204</sup> Yet it was not until 1976 that the FCC rejected AT&T's position and, when it did so, two commissioners dissented.<sup>205</sup> In addition, in its

---

<sup>199</sup> *Litton*, 700 F.2d at 810-11.

<sup>200</sup> *MCI*, 708 F.2d at 1157 n.115.

<sup>201</sup> *California v. FCC*, 567 F.2d 84, 86 (D.C. Cir. 1977) (per curiam), cert. denied, 434 U.S. 1010 (1978).

<sup>202</sup> *Id.* at 87-91 (Robinson, J., dissenting).

<sup>203</sup> *In re Use of the Carterfone Device in Message Toll Tel. Serv.*, 13 F.C.C.2d 420, reconsideration denied, 14 F.C.C.2d 571 (1968).

<sup>204</sup> *Litton*, 700 F.2d at 793-94.

<sup>205</sup> *Id.* at 793-99, 810-12; *Interstate & Foreign Message Toll Tel. Serv.*, 58 F.C.C.2d 736 (1976).

decision allowing AT&T's tariffs to go into effect, the Commission stated:

Although the tariff bar against any customer providing his own network control signaling unit is not in conflict with our *Carterfone* ruling, *the question remains* as to whether the telephone companies should make provision in their tariffs by which subscribers may have access to the so-called switched telephone network through the use of their own provided network control signaling equipment. *On the basis of the pleadings and comments before us, we are in no position to determine the extent to which any such provision may be consistent with efficient and economic telephone service and otherwise in the public interest.* In our opinion, these and other matters warrant further consideration by the Commission before it determines whether and what further action, if any, may be required.<sup>206</sup>

Moreover, not only did the FCC explicitly "leav[e] entirely open the possibility of further action," but it formed a committee of "representatives of various interested parties" to study the interconnection issue.<sup>207</sup> Under

---

<sup>206</sup> American Tel. & Tel. Co. "Foreign Attachment" Tariff Revisions, 15 F.C.C.2d 605, 610 (1968) (emphasis added).

<sup>207</sup> *Litton*, 700 F.2d at 795. Prior to creation of the committee, the "Commission directed all segments of the telecommunications industry to engage in 'informal engineering and technical conferences' to ascertain what 'further changes are necessary, desirable, and technically feasible' in AT&T's tariff offerings." *Id.* (quoting American Tel. & Tel. Co. "Foreign Attachment" Tariff Revisions, 15 F.C.C.2d 605, 610 (1968)). It is also significant that even the dissenters from the Commission's decision permitting AT&T's tariffs to take effect recognized that "[n]o one will disagree with the importance of the issue presented by the insistence of AT&T and the other telephone companies that they must be the sole provider of all equipment which initiates signaling." 15 F.C.C.2d at 616. In addition, it is clear that *Litton* was never denied an oppor-

these circumstances, the court might well have ruled that, as a matter of law, there was a reasonable basis in law and fact for AT&T's actions.<sup>208</sup>

*MCI* and *Litton* illustrate the dangers of allowing juries to determine the predicate issue of baselessness. Whether there is a reasonable basis in law and fact for a suit or petition to an administrative agency acting in a quasi-judicial capacity is peculiarly a decision for the courts to make. For no person should be subjected to antitrust liability—nor be placed in fear of the future imposition of such liability—based on a lay jury's view, in hindsight, that a suit had no legal or factual basis. Just as on a motion to dismiss a complaint, it is solely within the court's province to determine whether a given set of facts fails to make out a claim under the applicable law.

e. *The Significance of the Defendants' Extrinsic Improper Conduct*—Another issue that frequently arises in post-*Noerr* litigations is the significance of the illegality or immorality of the antitrust defendant's conduct in prosecuting its claims or in opposing the plaintiff's application for a potentially anticompetitive ruling. Notwithstanding the Court's holding in *Noerr* that the impropriety of the defendants' acts did not elevate their petitioning to a matter of antitrust concern, several lower courts have intimated, based on Justice Douglas'

tunity to present its views to the FCC. *Litton*, 700 F.2d at 798-99. In fact, it was successful in that the FCC ultimately rejected AT&T's position. *Id.* at 797-98, 809. One could, therefore, argue that its real complaint was not that the FCC failed to examine AT&T's proposals, but that it failed to act quickly enough in rejecting them. Such delay may be a valid indictment of the FCC, but it should not be grounds for penalizing AT&T for opposing *Litton* before that agency. See *infra* notes 220-25 and accompanying text.

<sup>208</sup> See, e.g., *Jack Faucett Assocs., Inc. v. American Tel. & Tel. Co.*, 744 F.2d 118, 126-32 (D.C. Cir. 1984), cert. denied, 53 U.S.L.W. 3529 (U.S. Jan. 21, 1985) (No. 84-842); *United States v. American Tel. & Tel. Co.*, 524 F. Supp. 1336, 1363 (D.D.C. 1981).

dictum in *California Motor Transport*,<sup>200</sup> that conduct of this type may be an indication of sham.<sup>210</sup> Similarly, some courts have implied that deliberate misrepresentations may also be evidence of sham.<sup>211</sup> Where, however, misrepresentations are coupled with other acts that affect the integrity of the judicial or administrative process or deny the plaintiff effective access to the tribunal, the courts have generally stated or implied that such conduct might constitute sham.<sup>212</sup> In view of the obliqueness of many of the courts' statements and holdings, it is not altogether clear whether these courts would hold that the *Noerr* shelter is vitiated by such extrinsic misconduct even where there is a reasonable basis in law and fact for the filing of suit.

<sup>200</sup> See supra notes 46-53 and accompanying text.

<sup>210</sup> See, e.g., *Transkentucky Transp. R.R. v. Louisville & N.R.R.*, 581 F. Supp. 759, 769-70 (E.D. Ky. 1983); *Ross v. Bremer*, 1982-2 Trade Cas. (CCH) ¶ 64,746, at 71,618 (W.D. Wash. 1982); *Sage Int'l, Ltd. v. Cadillac Gage Co.*, 507 F. Supp. 939, 946-48 (E.D. Mich. 1981).

<sup>211</sup> See, e.g., *Clipper Exxpress v. Rocky Mt. Motor Tariff Bureau, Inc.*, 674 F.2d 1252, 1270-71 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983); *Israel v. Baxter Labs., Inc.*, 466 F.2d 272, 278-79 (D.C. Cir. 1972); *General Aircraft Corp. v. Air Am., Inc.*, 482 F. Supp. 3, 7-8 (D.D.C. 1979); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168, 179-80 (D. Del. 1979).

<sup>212</sup> See, e.g., *Omni Resource Dev. Corp. v. Conoco, Inc.*, 739 F.2d 1412, 1413-14 (9th Cir. 1984); *Westborough Mall, Inc. v. City of Cape Girardeau*, 693 F.2d 733, 745-46 (8th Cir. 1982), cert. denied, 461 U.S. 945 (1983); *Federal Prescription Serv. v. American Pharmaceutical Ass'n*, 663 F.2d 253, 262-63 (D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982); *United States v. American Tel. & Tel. Co.*, 524 F. Supp. 1336, 1362-63 (D.D.C. 1981); *WIXT Television v. Meredith Corp.*, 506 F. Supp. 1003, 1030-32 (N.D.N.Y. 1980); *Oahu Gas Serv. v. Pacific Resources, Inc.*, 460 F. Supp. 1359, 1385 (D. Hawaii 1978); *Rush-Hampton Indus. v. Home Ventilating Inst.*, 419 F. Supp. 19, 23-24 (M.D. Fla. 1976); *Charlotte Telecasters, Inc. v. Jefferson-Pilot Corp.*, 1977-1 Trade Cas. (CCH) ¶ 61,304, at 70,994 (W.D.N.C. 1974), aff'd on other grounds, 546 F.2d 570 (4th Cir. 1976).

An early influential case that involved misrepresentations made to an administrative agency illustrates the pitfall of focusing on the propriety of the defendants' conduct. In *Woods Exploration & Producing Co. v. Aluminum Company of America*,<sup>213</sup> the Fifth Circuit held that natural gas producers' false filings ("nominations") of gas production forecasts with the Texas Railroad Commission would bring the sham exception into play because the Commission used them to set allowable limits on the plaintiff leaseholder's rate of gas production. The court stated that since the Commission "of necessity must rely on the truthfulness of the gas producers,"<sup>214</sup> and since the defendants in their nominations with the Commission were not seeking to influence the "policy making function" of the government,<sup>215</sup> *Noerr* provides no protection.

The Fifth Circuit's failure to comprehend the meaning of *Noerr* is nowhere better illustrated than by its statement that "[t]he policies of the Sherman Act should not be sacrificed simply because defendants employ governmental processes to accomplish anti-competitive purposes."<sup>216</sup> Yet that is precisely what *Noerr* held: Even though a business' "sole purpose" in seeking governmental relief is to "destroy" its competitors, Congress did not intend such conduct to constitute a restraint of trade within the meaning of the antitrust laws.<sup>217</sup> Indeed, the court of appeals recognized that the Commission had in fact exercised its authority and discretion in reviewing the defendants' nominations and in setting the final production limits:

---

<sup>213</sup> 438 F.2d 1286 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972).

<sup>214</sup> *Id.* at 1295.

<sup>215</sup> *Id.* at 1297; see *id.* at 1298-99.

<sup>216</sup> *Id.* at 1296.

<sup>217</sup> See *supra* notes 19, 26-27 and accompanying text.

The nominations are totaled and, *if the Commission concludes that their total accurately reflects market demand*, the total becomes the field allowable. *If the Commission disagrees with the forecasts, it is empowered to consider other factors*, such as average production for the previous twelve months, or nominations filed by purchasers of gas.<sup>218</sup>

In other words, as the district court, whose decision the Fifth Circuit reversed, explained:

[T]he Commission alone has the power and the duty to set allowables. The procedure followed by the Commission of requiring the producers to submit forecasts before the allowables are set is no more than a mere "administrative device." The figures submitted by the individual producers are not binding on the Commission, and it does not have to set allowables based on their mathematical total. Thus any injury which *any* producer claims to have suffered because of the allowable assigned to him is an injury directly inflicted by the Railroad Commission and not an injury inflicted by his fellow producers directly or through the exercise of any discretionary power conferred upon them by the State.<sup>219</sup>

Plainly, plaintiffs' remedy was to submit their views to the Commission and to appeal its decision to the Texas courts<sup>220</sup>—not to resort to a collateral attack under the antitrust laws. Since the Commission, not the defendants, set the rate of production, and since the Commission was free to use or not use, verify or not verify,

---

<sup>218</sup> *Woods Exploration*, 438 F.2d at 1292 (emphasis added).

<sup>219</sup> *Woods Exploration*, 284 F. Supp. 582, 593 (S.D. Tex. 1968) (quoting *Railroad Comm'n v. Woods Exploration & Producing Co.*, 405 S.W.2d 313, 319 (Tex. 1966)), rev'd, 438 F.2d 1286 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972).

<sup>220</sup> *Id.* at 594-95. The plaintiffs had statutory and common law remedies against the defendants. See *id.* at 594 & nn.12-13.



defendants' nominations, it was the Commission, not the defendants, that was responsible for the production limitations that "injured" the plaintiffs.<sup>221</sup>

---

<sup>221</sup> See *Gas Light Co. v. Georgia Power Co.*, 440 F.2d 1135, 1140 (5th Cir. 1971), cert. denied, 404 U.S. 1062 (1972). The issue can also be viewed as one of proximate causation. One of the grounds for the Court's holding in *Pennington* was that since an injury the plaintiffs suffered was caused, not by the defendants, but by the Secretary of Labor in raising the minimum wage, the defendants could not be held liable. See *supra* note 21 and accompanying text. In this situation, the plaintiff's claims should fail as a matter of proximate causation. See, e.g., *Hoover v. Ronwin*, 104 S. Ct. 1989, 2011 n.23 (1984) (Stevens, J., dissenting); *Mason City Center Assocs. v. City of Mason City*, 671 F.2d 1146, 1149 (8th Cir. 1982); *Heath v. Aspen Skiing Corp.*, 325 F. Supp. 223, 232 (D. Colo. 1971). Compare *Omni Resource Dev. Corp. v. Conoco, Inc.*, 739 F.2d 1412, 1414 (9th Cir. 1984) (antitrust action dismissed since plaintiff's injury resulted from court's injunction arising out of a legitimate state suit), and *Philips Business Sys. v. Executive Business Sys.*, 570 F. Supp. 1343, 1347-51 (E.D.N.Y. 1983) (a party that is wrongfully enjoined as a result of its opponent's good faith litigation may resort, for remedy, only to the security posted for the injunction), and *Fiumara v. Texaco, Inc.*, 204 F. Supp. 544, 547 (E.D. Pa.) ("[i]njuries resulting from compliance with an injunction, even if improperly obtained, cannot support a recovery in a private antitrust suit"), *aff'd per curiam*, 310 F.2d 737 (3d Cir. 1962), cert. denied, 372 U.S. 976 (1963), with *Commerce Tankers Corp. v. National Maritime Union*, 553 F.2d 793, 798-802 (2d Cir. 1977) (one cannot be insulated from liability by the injunction bond rule for per se violations of the Sherman Act), cert. denied, 434 U.S. 923 (1977). Cf. *Keogh v. Chicago & Nw. R.R.*, 260 U.S. 156 (1922) (illegal conspiracy to fix railroad rates does not give rise to a private action under the Sherman Act where the Interstate Commerce Commission has approved the rates as reasonable and nondiscriminatory); *In re Wheat Rail Freight Rate Antitrust Litig.*, 579 F. Supp. 517, 529-38 (N.D. Ill. 1984) (Interstate Commerce Commission's initial approval of railroads' fixing of freight rates impliedly immunized railroads from antitrust liability although ICC decision was reversed on appeal). But compare *Cantor v. Detroit Edison Co.*, 428 U.S. 579, 601-02 (1976) (plurality opinion) (state public service commission's approval of defendant's marketing practices, as part of its overall rate structure, does not exempt the practice from the federal antitrust laws),

In sum, at least where the antitrust plaintiffs have a meaningful opportunity to contest the deliberate misrepresentations or other improprieties of the defendants, the defendants should incur no liability under the anti-

---

with id. at 622-26 (Stewart, J., dissenting) (act of compliance exempts proposal of rate structure from the Sherman Act), and *Georgia v. Pennsylvania R.R.*, 324 U.S. 439, 452-63 (1945) (even though rates were approved by the Interstate Commerce Commission, if the state can show that defendants conspired to discriminate, it is entitled to an injunction prohibiting further discrimination), with id. at 486-90 (Stone, J., dissenting) (Interstate Commerce Commission has exclusive jurisdiction to determine the legality of rates, leaving the Supreme Court without power to enjoin the conduct complained of, although such conduct may violate the antitrust laws).

In any event, even, if contrary to *Pennington*, a plaintiff attempted to show that the defendant's acts in fact proximately caused its injury (i.e., but for the defendant's conduct, the plaintiff would not have been injured), it would likely have to take discovery of the government decision-makers in order to establish their motivation for acting as they did (i.e., to prove that, but for the defendant's conduct, they would not have acted as the defendant had petitioned them to act). The courts, however, have traditionally been loathe to allow inquiry into the motives of government officials. *Fletcher v. Peck*, 10 U.S. (6 Cranch) 87, 130-31 (1810); *Tenney v. Brandhove*, 341 U.S. 367, 377 (1951) (it is "unquestioned" that "it [is] not consonant with our scheme of government for a court to inquire into the motives of legislators"); see *Eastland v. United States Servicemen's Fund*, 421 U.S. 491, 502-03, 508-09 (1975) (Speech and Debate clause, U.S. Const. art. I, § 6, cl. 1, bars questioning of Congressmen's motives and acts); *United States v. Nixon*, 418 U.S. 683, 705-07 (1974) (executive privilege); *Palmer v. Thompson*, 403 U.S. 217, 224-26 (1971); *United States v. O'Brien*, 391 U.S. 367, 385 (1968); *Thillens, Inc. v. Community Currency Exch. Ass'n*, 729 F.2d 1128 (7th Cir.) (state legislators immune from antitrust suit based on their alleged acceptance of bribes), cert. dismissed, 105 S. Ct. 375 (1984); see also *Hunt v. Mobil Oil Corp.*, 550 F.2d 68, 77 (2d Cir.) (act of state doctrine required dismissal of plaintiff's Sherman Act claim since its adjudication would have required an examination of the motivation of a foreign government, an inquiry which a federal court may not undertake), cert. denied, 434 U.S. 984 (1977).

trust laws.<sup>222</sup> Where the plaintiff has the opportunity to present its views in the proper tribunal, its avenue for relief should not be the antitrust laws. Rather, its remedy should be available procedures for review of government decisions on the merits pursuant to the narrow standards of the Administrative Procedure Act,<sup>223</sup> its state or local counterpart,<sup>224</sup> or the laws regulating criminal or unethical conduct.<sup>225</sup>

f. *The Bill Johnson's Restaurants Decision*—Ironically, it was not an antitrust suit, but a recent case arising under the National Labor Relations Act,<sup>226</sup> in which the

---

<sup>222</sup> As the Court explained in the first state action case, the argument that the antitrust laws are a bar to anticompetitive acts by state regulatory authorities "amount[s] simply to the contention, not that the [acts] are void for want of power, but that they are unwise." *Olsen v. Smith*, 195 U.S. 332, 345 (1904). And as the Court also recognized there, if the plaintiff believes these acts to be unwise, "the remedy is in Congress, in whom the ultimate authority on the subject is vested," not in the courts. *Id.*; see also *Hoover v. Ronwin*, 104 S. Ct. 1989, 1999 n.27 (1984) ("[e]ven if" the Supreme Court of Arizona "invariably" agreed with the recommendations of a committee charged with administering and grading bar exams, its decisions "would be action of the sovereign" and, therefore, under the state action doctrine, would not be within the ambit of the antitrust laws); cf. *Immigration & Naturalization Serv. v. Chadha*, 103 S. Ct. 2764, 2788 n.22 (1983) (article I of the Constitution "does *not* mean that legislation must always be preceded by debate"; all that is required is that there be "an *opportunity* for deliberation and debate") (emphasis added); *United States v. Trenton Potteries Co.*, 273 U.S. 392, 398 (1972) (one of the reasons Justice Stone expressed for the Court's holding that the "reasonableness" of prices is no defense to a claim of price fixing was that a contrary conclusion would, in each case, require "a determination which can be satisfactorily made only after a complete survey of our economic organization and a choice between rival philosophies").

<sup>223</sup> 5 U.S.C. §§ 551-559 (1982).

<sup>224</sup> See *supra* notes 218-20 and accompanying text.

<sup>225</sup> See *supra* note 51.

<sup>226</sup> 29 U.S.C. §§ 151 et seq. (1982).

Supreme Court sought to define the limits of *Noerr* and its sham exception. Notwithstanding its clarifying analysis, Justice White's opinion in *Bill Johnson's Restaurants, Inc. v. NLRB*,<sup>227</sup> contains some inconsistent and troublesome radiations.

The management of a restaurant had filed a suit in state court alleging that terminated as well as the then employed waitresses had harassed customers and distributed a libelous leaflet. One of the defendants then filed a charge with the NLRB claiming, inter alia, that institution of the suit was an unfair labor practice. The Board's General Counsel thereafter issued a complaint.<sup>228</sup> After a hearing, the administrative law judge held that the employer's state court complaint lacked a reasonable basis and that the suit had been filed for a retaliatory purpose.<sup>229</sup> On appeal, the Board adopted the administrative law judge's opinion and issued a cease and desist order requiring management to withdraw its complaint and reimburse the defendants for all the legal expenses incurred in defending the suit.<sup>230</sup> The Ninth Circuit affirmed,<sup>231</sup> and the Supreme Court unanimously reversed.

Though recognizing the potentially chilling and coercive effect of a suit against employees,<sup>232</sup> the Court

---

<sup>227</sup> 103 S. Ct. 2161 (1983).

<sup>228</sup> The General Counsel claimed that, in violation of 29 U.S.C. §§ 158(a)(1) and (4) (1982), "by filing and prosecuting the state suit, [management] was attempting to retaliate" against the waitresses for attempting to organize a union. 103 S. Ct. at 2166.

<sup>229</sup> Id.; see *Bill Johnson's Restaurants, Inc. & Helton*, 249 N.L.R.B. 155, 165 (1980).

<sup>230</sup> 103 S. Ct. at 2167; see *Bill Johnson's Restaurants, Inc. & Helton*, 249 N.L.R.B. at 169-70.

<sup>231</sup> 660 F.2d 1335 (9th Cir. 1981).

<sup>232</sup> The Court stated:

A lawsuit no doubt may be used by an employer as a powerful instrument of coercion or retaliation. As the Board has ob-

held that Congress did not intend to authorize the NLRB to enjoin, as an unfair labor practice, a pending non-frivolous state lawsuit.<sup>233</sup> Justice White explained:

In *California Motor Transport* . . . we recognized that the right of access to the courts is an aspect of the First Amendment right to petition the Government for redress of grievances. Accordingly, we construed the antitrust laws as not prohibiting the filing of a lawsuit, regardless of the plaintiff's anti-competitive intent or purpose in doing so, unless the suit was a "mere sham" filed for harassment purposes. We should be sensitive to these First Amendment values in construing the NLRA in the present context. As the Board itself has recognized, "going to a judicial body for redress of alleged wrongs . . . stands apart from other forms of action directed at the alleged wrongdoer. The right of access to a court is too important to be called an unfair labor practice solely on the ground that what

---

served, by suing an employee who files charges with the Board or engages in other protected activities, an employer can place its employees on notice that anyone who engages in such conduct is subjecting himself to the possibility of a burdensome lawsuit. Regardless of how unmeritorious the employer's suit is, the employee will most likely have to retain counsel and incur substantial legal expenses to defend against it. Furthermore, as the Court of Appeals in the present case noted, the chilling effect of a state lawsuit upon an employee's willingness to engage in protected activity is multiplied where the complaint seeks damages in addition to injunctive relief. Where, as here, such a suit is filed against hourly-wage waitresses or other individuals who lack the backing of a union, the need to allow the Board to intervene and provide a remedy is at its greatest.

103 S. Ct. at 2169 (citations omitted).

<sup>233</sup> Id. at 2170.

is sought in court is to enjoin employees from exercising a protected right.”<sup>234</sup>

The Court’s precise holding, based upon this interpretation of *California Motor Transport*, could not have been clearer:

[W]e hold that the Board may not halt the prosecution of a state-court lawsuit, *regardless of the plaintiff’s motive*, unless the suit lacks a reasonable basis in fact or law. *Retaliatory motive and lack of reasonable basis are both essential prerequisites to the issuance of a cease-and-desist order against a state suit.*<sup>235</sup>

As the Court made clear throughout its opinion, the fact that a suit is not “plainly foreclosed as a matter of law or is otherwise frivolous” is an absolute defense to the enjoining of a pending suit as an unfair labor charge.<sup>236</sup> Thus, with respect to issues of fact, the Court “conclude[d] that if a state plaintiff is able to present the Board with evidence that shows his lawsuit raises genuine issues of material fact, the Board should proceed no further with the . . . unfair labor practice proceedings but should stay those proceedings until the state-court suit has been concluded.”<sup>237</sup> By the same token, the Court held that “if there is any realistic chance that the plaintiff’s legal theory might be adopted,” the Board “should allow such issues to be decided by the state tribunals.”<sup>238</sup>

---

<sup>234</sup> Id. at 2169 (quoting *Peddie Bldgs.*, 203 N.L.R.B. 265, 272 (1973), enforcement denied on other grounds sub nom. *NLRB v. Visceglia*, 498 F.2d 43 (3d Cir. 1974)).

<sup>235</sup> Id. at 2173 (emphasis added).

<sup>236</sup> Id. at 2172.

<sup>237</sup> Id. at 2171-72 (footnote omitted).

<sup>238</sup> Id. at 2172.



If the Court had stopped there, the decision would have been a useful adjunct to the *Noerr* line of cases and would have provided a workable standard for differentiating between the *Noerr* doctrine and its exception. The Court, however, also made vague references to the possibility that upon an unsuccessful conclusion of the litigation, the employer might incur liability:

In instances where the Board must allow the lawsuit to proceed, if the employer's case in the state court ultimately proves meritorious and he has judgment against the employees, the employer should also prevail before the Board, for the filing of a meritorious law suit, even for a retaliatory motive, is not an unfair labor practice. *If judgment goes against the employer in the state court, however, or if his suit is withdrawn or is otherwise shown to be without merit, the employer has had its day in court, the interest of the state in providing a forum for its citizens has been vindicated, and the Board may then proceed to adjudicate the § (a)(1) and 8(a)(4) unfair labor practice case. The employer's suit having proved unmeritorious, the Board would be warranted in taking that fact into account in determining whether the suit had been filed in retaliation for the exercise of the employees' § 7 rights.*<sup>239</sup>

Similarly, in his summation of the Court's holding, Justice White stated:

[I]f the Board is called upon to determine whether a suit is unlawful prior to the time that the state court renders final judgment, and if the state plaintiff can show that such genuine material factual or legal issues exist, the Board must await the results of the state-court adjudication with respect to the merits of the state suit. *If the state proceedings re-*

---

<sup>239</sup> Id. (emphasis added).

*suit in a judgment adverse to the plaintiff, the Board may then consider the matter further and, if it is found that the lawsuit was filed with retaliatory intent, the Board may find a violation and order appropriate relief. In short, then, although it is an unfair labor practice to prosecute an unmeritorious lawsuit for a retaliatory purpose, the offense is not enjoined unless the suit lacks a reasonable basis.*<sup>240</sup>

Unless there is a reason peculiar to labor law that justifies the distinction between enjoining a pending suit and treating an unsuccessful suit after judgment is entered as an unfair labor practice,<sup>241</sup> it would eviscerate

---

<sup>240</sup> Id. at 2173 (emphasis added). In his concurrence, with reference to this statement, Justice Brennan opined: "Reasonable people could differ over the wisdom of deciding that a nonfrivolous suit which is withdrawn, or in which the plaintiff ultimately does not prevail, constitutes an unfair labor practice, . . . but that is a question of labor policy for the Board to decide in the first instance." Id. at 2175 n.3 (Brennan, J., concurring).

<sup>241</sup> In his concurrence, Justice Brennan argued that because of the NLRB's "broad mandate to develop federal labor policy," it should be given considerable latitude to determine, as a question of labor policy, the correct balancing of the "delicate relationships between institutional policy and individual rights." Id. at 2175 & n.3. He went on to state that the Court's scope of review of the Board's decision is "limited" and that the "constitutional constraints" on the Board are "attenuated." Id. at 2176. Similarly, in the majority opinion, the Court stated that:

[the NLRA has] broad, remedial provisions that guarantee that employees will be able to enjoy their rights . . .—including the right to unionize, the right to engage in concerted activity for mutual aid and protection, and the right to utilize the Board's processes—without fear or restraint, coercion, discrimination, or interference from their employer.

Id. at 2168. In other words, the intent of Congress, which *Noerr* found was lacking so far as antitrust is concerned, may have been present in the enactment of the NLRA. It could therefore be argued that more latitude should be afforded for suits against competitors than for suits against workers, and that this is the

the *Noerr* doctrine in the antitrust context to hold that the mere loss of a suit against a competitor strips the plaintiff of its *Noerr* immunity even though there was a reasonable basis in law and fact to bring the suit. In fact, other language in the Court's opinion indicates that it was not drawing such a distinction. Thus, the Court repeatedly described the issue before it as whether the prosecution of a baseless claim is an unfair labor practice.<sup>242</sup> Justice White subsequently pointed out that suits lacking a "reasonable basis" "are not within the scope of First Amendment protection" and that "baseless litigation is not immunized by the First Amendment right to petition."<sup>243</sup> The clear implication is that suits that do have a "reasonable basis" and are not "baseless" are constitutionally protected. As we have seen, it is implicit in Justice Black's opinion in *Noerr* that Congress, in enacting the Sherman Act, could not have intended to

---

basis for differentiating between a pending and a completed lawsuit as was the case in *Bill Johnson's Restaurants*. Thus, a retaliatory purpose in labor law may be a sufficient basis for an NLRB order, whereas an anticompetitive intent is insufficient as a ground for imposing antitrust liability. We would not draw any distinction along these lines, but it is not irrational to do so having regard for the possible difference in Congress' intent in enacting these two statutes.

That considerations in a labor law context may be different than those in antitrust litigation can explain the Supreme Court's decision in *Sure-Tan, Inc. v. NLRB*, 104 S. Ct. 2803 (1984), decided one year after *Bill Johnson's Restaurants*. There, the Court held that the first amendment right to petition does not shield an employer from a finding by the NLRB that its informing the Immigration and Naturalization Service that certain of its employees were illegal aliens was an unfair labor practice, where its sole reason for doing so was that the employees were union members. *Id.* at 2811-12. At bottom, the Court may be holding that, at least in the labor area, there is no constitutional right to be an informer. We, however, do not construe *Sure-Tan* as jettisoning *Noerr*.

<sup>242</sup> *Bill Johnson's Restaurants*, 103 S. Ct. at 2168-70.

<sup>243</sup> *Id.* at 2170.

impose treble damage liability as well as criminal sanctions on a businessman who sued a competitor and lost, merely because of his anticompetitive animus.<sup>244</sup>

---

<sup>244</sup> In support of its statement in *Bill Johnson's Restaurants* that baseless suits are not protected by the first amendment—and, implicitly, that nonbaseless suits are protected—the Court quoted from a law review article in which the author equated sham litigation with “frivolous” and non-“bona fide” claims. 103 S. Ct. at 2170 (quoting Balmer, *Sham Litigation and the Antitrust Laws*, 29 Buffalo L. Rev. 39, 60 (1980) [hereinafter cited as Balmer]). Indeed, the author explicitly stated: “Not all unsuccessful litigation should be the basis for antitrust liability: only knowingly baseless suits are unprotected by the first amendment.” *Id.* at 56. And in a recent Ninth Circuit case, which the Supreme Court cited as in “accord” with the views of that article’s author, 103 S. Ct. at 2170 n.10, the court of appeals stated that “[a]ssuming” that in order for claims to be found to be sham, they must be found to be “baseless,” the defendants’ protests to the Interstate Commerce Commission were sham since they were “spurious, baseless, and prosecuted without regard to their merit.” *Clipper Express v. Rocky Mt. Motor Tariff Bureau, Inc.*, 690 F.2d 1240, 1253, 1257 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983). The second law review article that the Court cited impliedly took a position similar to that of the first author’s. Fischel, *Antitrust Liability for Attempts to Influence Government Action: The Basis and Limits of the Noerr-Pennington Doctrine*, 45 U. Chi. L. Rev. 80, 101, 108 (1977) [hereinafter cited as Fischel]. The authors of both articles, however, also inconsistently intimated that a *non* baseless suit could be sham, provided that it was accompanied by acts extrinsic to the institution of the suit that abused the court’s processes and were taken to achieve an anticompetitive end. Balmer, *supra*, at 66-70; Fischel, *supra*, at 95-96, 98-100, 106-07, 114, 122. In its brief, the NLRB took a similar position. Brief for NLRB at 34-35, *Bill Johnson's Restaurants*, 103 S. Ct. 2161 (1983). The Board, however, also indicated its approval of the court of appeals’ language in the decision below that “‘an employer who brings a good faith action against employees . . . and produces evidence making his claim a colorable one, is not guilty of an unfair labor practice simply because he ultimately loses the lawsuit on the merits.’” Brief for NLRB in Opposition to Petition for Writ of Certiorari at 12 (quoting *Bill Johnson's Restaurants v. NLRB*, 600 F.2d 1335, 1342 (9th Cir. 1981)), *Bill Johnson's Restaurants v. NLRB*, 459 U.S. 942 (1982). Of all the briefs filed in

Nonantitrust decisional law interpreting the first amendment's guarantee of the right to petition also supports the conclusion that the Court in *Bill Johnson's Restaurants* did not intend to rewrite the law in this area. In the seminal case of *NAACP v. Button*,<sup>245</sup> and later in *In re Primus*,<sup>246</sup> the Court did not even remotely suggest that the constitutional protection of the right of individuals to challenge or solicit certain governmental conduct in court would evaporate if the suits were ultimately unsuccessful.<sup>247</sup> Nor would such a rule make any sense since the inevitable effect would be to discourage the exercise of the very right the Court purported to protect—the right of free access to the courts.

In our view, in addition to the classic situation where competitors hold joint meetings ostensibly to petition the government, but in reality use them as a cover for illegal conduct unrelated to their petitioning,<sup>248</sup> there are two in-

---

the case, the only one which clearly separated the issue of baselessness from that of retaliatory motive was the amicus curiae brief of the AFL-CIO in support of the Board's position, in which it assumed that both elements were necessary for a finding of an unfair labor practice. Brief for the AFL-CIO as Amicus Curiae in Support of Respondent at 3, 14, 16 n.32, *Bill Johnson's Restaurants*, 103 S. Ct. 2161 (1983).

<sup>245</sup> 371 U.S. 415 (1963).

<sup>246</sup> 436 U.S. 412 (1978).

<sup>247</sup> Indeed, in *Button*, at least some of the litigations that the Court referred to as protected by the right to petition were partially unsuccessful. See the following cases cited in *Button*, 371 U.S. at 435 n.16: *Dodson v. School Bd.*, 289 F.2d 439 (4th Cir. 1961); *Hill v. School Bd.*, 282 F.2d 473 (4th Cir. 1960); *Jones v. School Bd.*, 278 F.2d 72 (4th Cir. 1960); *Blackwell v. Fairfax County School Bd.*, 5 Race Rel. L. Rep. 1056 (E.D. Va. 1960); *Warden v. Richmond School Bd.*, 3 Race Rel. L. Rep. 971 (E.D. Va. 1958); *Adkinson v. School Bd.*, 3 Race Rel. L. Rep. 938 (E.D. Va. 1958).

<sup>248</sup> See, e.g., *Virginia Academy of Clinical Psychologists v. Blue Shield*, 624 F.2d 476, 482 (4th Cir. 1980), cert. denied, 450 U.S. 916 (1981); *Jones Knitting Corp. v. Morgan*, 361 F.2d 451, 459

terrelated elements of the sham exception that, although defying precise definition, can provide a workable set of rules capable of certain and consistent application. First, in order for a suit to be found baseless, it should have to meet the standard of *Bill Johnson's Restaurants*—that is, that “the plaintiff’s position is plainly foreclosed as a matter of law or is otherwise frivolous.”<sup>249</sup> Second, in view of the overriding importance of the right to petition and other first amendment freedoms,<sup>250</sup> a party relying on the sham exception should have to prove that the defendant instituted the allegedly sham suit knowing it to be without any basis in law and fact.<sup>251</sup> It is not enough that there may have been an anticompetitive motive in bringing the suit.

The suggestion by the Justice Department and certain commentators that the sham exception be coterminous with the tort of abuse of process is objectionable for an entirely different reason. To be sure, the common law tort requires not merely knowledge that the suit is without reasonable basis in law and fact, but that the process

---

(3d Cir. 1966); *In re New Mexico Natural Gas Antitrust Litig.*, 1982-1 Trade Cas. (CCH) ¶ 64,685, at 73,719-20 (D.N.M.); *Venture Technology, Inc. v. National Fuel Gas Co.*, 1980-81 Trade Cas. (CCH) ¶ 63,780, at 78,147 (W.D.N.Y. 1981), rev’d on other grounds, 685 F.2d 41 (2d Cir.), cert. denied, 459 U.S. 1007 (1982); *United States v. American Natural Gas Co.*, 206 F. Supp. 908, 912 (N.D. Ill. 1962); see *supra* notes 33-34 and accompanying text.

<sup>249</sup> *Bill Johnson's Restaurants*, 103 S. Ct. at 2172; see *supra* notes 232-38 and accompanying text.

<sup>250</sup> See *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 911 (1982) (“The established elements of speech, assembly, association, and petition, ‘though not identical, are inseparable.’” (quoting *Thomas v. Collins*, 323 U.S. 516, 530 (1945))).

<sup>251</sup> Some commentators have suggested, analogous to *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964), that recklessness, as well as knowledge, should suffice for a showing of sham. See, e.g., Balmer, *supra* note 244, at 60, 70.



was abused by resort to some extrinsic wrongdoing.<sup>252</sup> However, the common law grounds for liability are wholly unrelated to the concerns of antitrust. There are more than sufficient mechanisms to punish competitors for abusing court processes and to compensate, under the tort of the same name, those injured by such abuse.<sup>253</sup> Antitrust is much too cumbersome an instrument to be converted into the federal counterpart of the common law tort principles of the several states. In a nutshell, the evil against which antitrust is aimed is unjustifiable private anticompetitive conduct, not the abuse of the judicial and administrative processes. By making the sham exception coterminous with the tort of abuse of process, the focus of the *Noerr* doctrine is distorted and the emphasis transferred from a defensive shelter to the exception as an independent basis of liability.

g. *The Significance of the Defendants' Delaying Actions*—A final troublesome matter that arises with some frequency is whether taking advantage of the delay that normally accompanies the institution or defense of judicial or quasi-judicial actions warrants a finding of sham.<sup>254</sup> Central to any analysis of the significance of delay in evaluating a *Noerr* defense is the recognition that delay, unfortunately, is inherent in the judicial and administrative process. The current litigation explosion places an increasingly intolerable burden on the nation's courts. Since delay is inevitable, should the antitrust defendant be punished for something beyond his control? Should it make any difference if he knew that, as a consequence of

---

<sup>252</sup> See supra notes 178-82 and accompanying text.

<sup>253</sup> See supra note 51.

<sup>254</sup> For cases dealing with this issue, see, e.g., *Litton Sys. v. American Tel. & Tel. Co.*, 700 F.2d 785, 810-12 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); *Miracle Mile Assocs. v. City of Rochester*, 617 F.2d 18, 21 (2d Cir. 1980); *City of Newark v. Delmarva Power & Light Co.*, 497 F. Supp. 323, 327 (D. Del. 1980); see also R. Bork, *The Antitrust Paradox* 348 (1978).

the normal workings of the litigation process, bringing or opposing a suit would result in delay? Should not the decisive factor be whether the suit or defense had a reasonable basis in law and fact? After all, an alert judge can always frustrate a litigant's delaying tactics by scheduling an early trial. To say that delay by itself may not constitute sham, is not, however, to say that an intent to delay may not be taken into account in determining whether the suit or defense is genuine and whether the defendant had a reasonable expectation of success.

#### IV. CONCLUSION

The fundamental issue in every federal statutory cause of action—including antitrust suits—is whether Congress intended at the time of enactment of the statute to prohibit the conduct alleged in the complaint.<sup>255</sup> Yet this is the very question some courts ignore in addressing claims of sham petitioning. Instead of focusing on this predicate issue or examining whether the defendant's suit or defense had a reasonable basis in law and fact, these courts look to whether the defendant's acts are independently protected by the first amendment, whether they are illegal, unethical or are motivated by an improper motive, whether the requested government action is procompetitive or whether, in the court's view, it otherwise represents sound economic policy. By returning to Justice Black's analysis in *Noerr* and grounding the doctrine on Congress' intent not to apply the antitrust laws to genuine efforts to influence government action—regardless of any anticompetitive animus behind such efforts—we can infuse the spirit and tradition of the first amendment into the antitrust laws without unnecessarily elevating antitrust issues into constitutional ones. This *Parker v.*

---

<sup>255</sup> See, e.g., *BankAmerica Corp. v. United States*, 462 U.S. 122 (1983); *Andrus v. Charlestone Stone Prods. Co.*, 436 U.S. 604, 611 & n.8 (1978); *Winona & St. P.R.R. v. Barney*, 113 U.S. 618, 625 (1885).

*Brown*<sup>256</sup> approach would also provide a warm and hospitable reading to the sham exception, while limiting it to its dictionary meaning of "marked by falseness" and "not genuine."<sup>257</sup>

It is now a generation since the Court decided *Noerr*. If the *Noerr* doctrine is to continue to have vitality, the sham exception must be narrowly applied and limited, at a minimum, to the dual standard of baselessness as articulated in *Bill Johnson's Restaurants*: only an attempt to petition the government that is plainly foreclosed as a matter of law or is otherwise frivolous, and which the petitioner instigated knowing that it lacked any factual or legal basis, should subject the defendant to antitrust liability. If, on the other hand, as some government officials and commentators imply, *Noerr* was wrongly decided,<sup>258</sup> then the *Noerr* doctrine should be expressly discarded rather than its exception stretched to encompass conduct that is not sham within the original *Noerr* conception.

---

<sup>256</sup> 317 U.S. 341 (1943).

<sup>257</sup> Webster's Third New International Dictionary 2086 (P. Gove ed. 1971).

<sup>258</sup> With reference to the state action and *Noerr* doctrines, Thomas J. Campbell, Director of the Federal Trade Commission's Bureau of Competition for the first two years of the Reagan Administration, stated that "[o]ur attitude is to overcome these exemptions." Ford Signs Consent Order with FTC; GM Chooses to Litigate Similar Case, 42 Antitrust & Trade Reg. Rep. (BNA) No. 1053, at 440 (Feb. 25, 1982); see also Interview with FTC Chairman James C. Miller III, 45 Antitrust & Trade Reg. Rep. (BNA) 334, 339 (Sept. 1, 1983) ("[r]estraints on competition are particularly insidious when they are mandated and orchestrated by government"). For additional views arguing for limits on *Noerr*'s protections, see R. Bork, *supra* note 254, at 347 n.64; McMahon, Recent Significant Developments in "State Action" and *Noerr-Pennington* Exemptions: From *Boulder* to the "Sham" Exception, 14 U. Tol. L. Rev. 531, 532-33, 553-56 (1983); Note, *supra* note 180, at 732-35 (1973).

We submit that the *Noerr* principle is a salutary one and should be retained in its pristine form. As the Supreme Court recently reminded us, our form of government is predicated on the pluralistic belief that the people will act according to their own self-interest and that "the summation of these individual pursuits will further the collective welfare."<sup>250</sup> In this day of interest-group politics, it is essential that the right to petition to the legislative, executive, administrative, and judicial arms of the government be zealously safeguarded.

---

<sup>250</sup> *Brown v. Hartlage*, 456 U.S. 45, 56 (1982); see *The Federalist* No. 10 (J. Madison).

## APPENDIX A

CASES IN WHICH CLAIMS FOUNDED ON PETITIONING OF  
LEGISLATIVE AND EXECUTIVE BODIES WERE ASSERTED

FIRST CIRCUIT: *Bass v. Boston Five Cent Savings Bank*, 478 F. Supp. 741 (D. Mass. 1979) (lobbying not evidence of conspiracy; summary judgment for defendants). SECOND CIRCUIT: *Arzt v. Blue Cross & Blue Shield of Greater N.Y.*, No. 78 Civ. 5723 (S.D.N.Y. Nov. 3, 1982) (implying lobbying is admissible evidence); *A.B.T. Sight-seeing Tours, Inc. v. Gray Line N.Y. Tours, Corp.*, 242 F. Supp. 365 (S.D.N.Y. 1965) (allegations in complaint stricken); see *Goggi Corp. v. Outboard Marine Corp.*, 422 F. Supp. 361 (S.D.N.Y. 1976) (contacts with legislators basis for finding in personam jurisdiction under state long arm statute). THIRD CIRCUIT: *United States v. Shober*, 489 F. Supp. 393 (E.D. Pa. 1979) (dismissal of indictment for bribery denied); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168 (D. Del. 1979) (counterclaim dismissed); *Schenley Industries, Inc. v. New Jersey Wine & Spirit Wholesalers Association*, 272 F. Supp. 872 (D.N.J. 1967) (complaint partially dismissed). FOURTH CIRCUIT: *Sims v. Tinney*, 482 F. Supp. 794 (D.S.C. 1977) (complaint dismissed), aff'd mem., 615 F.2d 1358 (4th Cir. 1979). FIFTH CIRCUIT: *Schwegmann Brothers Giant Super Markets v. Almaden Vineyards, Inc.*, 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.) (summary judgment for defendant). SIXTH CIRCUIT: *Gambrel v. Kentucky Board of Dentistry*, 689 F.2d 612 (6th Cir. 1982) (summary judgment for defendants affirmed), cert. denied, 459 U.S. 1208 (1983). SEVENTH CIRCUIT: *Wilk v. American Medical Association*, 719 F.2d 207 (7th Cir.) (posttrial judgment for defendants reversed on other grounds), re-affirmed without opinion, 723 F.2d 66 (7th Cir. 1983), cert. denied, 104 S.Ct. 2398 (1984); *Weit v. Continental Illinois National Bank & Trust Co.*, 641 F.2d 457 (7th Cir. 1981) (evidence of lobbying inadmissible; summary

judgment for defendants affirmed on other grounds), cert. denied, 455 U.S. 988 (1982). EIGHTH CIRCUIT: *First American Title Co. v. South Dakota Land Title Association*, 714 F.2d 1439 (8th Cir. 1983) (posttrial judgment for defendant affirmed), cert. denied, 104 S.Ct. 709 (1984); *First National Bank v. Marquette National Bank*, 482 F. Supp. 514 (D. Minn. 1979) (summary judgment for defendant), aff'd, 636 F.2d 195 (8th Cir.), cert. denied, 450 U.S. 1042 (1980). NINTH CIRCUIT: *Subscription Television, Inc. v. Southern California Theatre Owners Association*, 576 F.2d 230 (9th Cir. 1978) (campaigning in support of voter initiative; directed verdict for defendant affirmed); *Rodgers v. FTC*, 492 F.2d 228 (9th Cir.) (per curiam) (campaigning against voter initiative; dismissal of complaint affirmed), cert. denied, 419 U.S. 834 (1974); *Hays v. United Fireworks Manufacturing Co.*, 420 F.2d 836 (9th Cir. 1969) (evidence of a contract requiring purchaser to engage in lobbying inadmissible despite inadequate objection by defendants; posttrial judgment for plaintiff affirmed); *Harman v. Valley National Bank*, 339 F.2d 564 (9th Cir. 1964) (dismissal of complaint reversed; plaintiff allowed to amend complaint). TENTH CIRCUIT: *Semke v. Enid Automobile Dealers Association*, 456 F.2d 1361 (10th Cir. 1972) (posttrial judgment for defendants reversed). DISTRICT OF COLUMBIA CIRCUIT: *Association of Western Railways v. Riss & Co.*, 299 F.2d 133 (D.C. Cir.) (posttrial judgment for plaintiffs reversed), cert. denied, 370 U.S. 916 (1962); *Caribe Trailer Systems, Inc. v. Puerto Rico Maritime Shipping Authority*, 475 F. Supp. 711 (D.D.C. 1979) (summary judgment for defendant), cert. denied, 450 U.S. 914 (1981).



## APPENDIX B

CASES IN WHICH CLAIMS FOUNDED ON  
PETITIONING OF ADMINISTRATIVE  
AGENCIES WERE ASSERTED

FIRST CIRCUIT: *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25 (1st Cir.) (summary judgment for defendant vacated), cert. denied, 400 U.S. 850 (1970). SECOND CIRCUIT: *Litton Systems, Inc. v. American Telephone & Telegraph Co.*, 700 F.2d 785 (2d Cir. 1983) (posttrial judgment for plaintiff affirmed), cert. denied, 104 S. Ct. 984 (1984); *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891 (2d Cir. 1981) (summary judgment for defendants reversed); *Miracle Mile Associates v. City of Rochester*, 617 F.2d 18 (2d Cir. 1980) (summary judgment for defendant affirmed); *Interstate Properties v. Pyramid Co.*, 586 F. Supp. 1160 (S.D.N.Y. 1984) (counterclaims dismissed); *Bulkferts, Inc. v. Salatin Inc.*, 574 F. Supp. 6 (S.D.N.Y. 1983) (summary judgment for defendant denied); *BusTop Shelters, Inc. v. Convenience & Safety Corp.*, 521 F. Supp. 989 (S.D.N.Y. 1981) (complaint dismissed); *Venture Technology, Inc. v. National Fuel Gas Co.*, 1980-81 Trade Cas. (CCH) ¶ 63,780 (W.D.N.Y. 1981) (posttrial judgment for plaintiff), rev'd on other grounds, 685 F.2d 41 (2d Cir.), cert. denied, 459 U.S. 1007 (1982); *WIXT Television v. Meredith Corp.*, 506 F. Supp. 1003 (N.D.N.Y. 1980) (summary judgment for defendants); *Town of Massena v. Niagara Mohawk Power Corp.*, 1980-2 Trade Cas. (CCH) ¶ 63,526 (N.D. N.Y.) (posttrial judgment for defendant); *Reaemco, Inc. v. Allegheny Airlines*, 496 F. Supp. 546 (S.D.N.Y. 1980) (complaint dismissed); *Dominicus Americana Bohio v. Gulf & Western Industries, Inc.*, 473 F. Supp. 680 (S.D.N.Y. 1979) (dismissal of complaint denied); *Wilmore, Inc. v. Eagan Real Estate, Inc.*, 454 F. Supp. 1124 (N.D.N.Y. 1977) (complaint dismissed), aff'd with-

out opinion, 578 F.2d 1372 (2d Cir.), cert. denied, 439 U.S. 983 (1978); *B.A.M. Liquors, Inc. v. Satenstein*, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D.N.Y. 1976) (posttrial judgment for plaintiff); *Hunt v. Mobil Oil Corp.*, 410 F. Supp. 10 (S.D.N.Y. 1975) (dismissal of complaint denied on *Noerr* grounds but granted under Act of State doctrine), aff'd on other grounds, 550 F.2d 68 (2d Cir. 1976), cert. denied, 434 U.S. 984 (1977); *A.B.T. Sightseeing Tours, Inc. v. Gray Line New York Tours, Corp.*, 242 F. Supp. 365 (S.D.N.Y. 1965) (allegations stricken); see *Ashley Meadows Farm, Inc. v. American Horse Shows Association, Inc.*, 1983-2 Trade Cas. (CCH) ¶ 65,653 (S.D.N.Y.) (dismissal of complaint denied). THIRD CIRCUIT: *Duke & Co. v. Foerster*, 521 F.2d 1277 (3d Cir. 1975) (summary judgment for defendant reversed); *Horsemen's Benevolent & Protective Association, Inc. v. Pennsylvania Horse Racing Commission*, 530 F. Supp. 1098 (E.D. Pa.) (complaint dismissed), aff'd without opinion, 688 F.2d 821 (3d Cir. 1982); *Borough of Lansdale v. Philadelphia Electric Co.*, 517 F. Supp. 218 (E.D. Pa. 1981) (summary judgment for defendant denied); *City of Newark v. Delmarva Power & Light Co.*, 497 F. Supp. 323 (D. Del. 1980) (counterclaim dismissed); *Crown Central Petroleum Corp. v. Waldman*, 486 F. Supp. 759 (M.D. Pa.) (complaint dismissed), rev'd on other grounds, 634 F.2d 127 (3d Cir. 1980); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168 (D. Del. 1979) (motion to dismiss *Noerr* counterclaim denied); *Miller & Son Paving, Inc. v. Wrightstown Township Civic Association*, 443 F. Supp. 1268 (E.D. Pa. 1978) (complaint dismissed), aff'd without opinion, 595 F.2d 1213 (3d Cir.), cert. denied, 444 U.S. 843 (1979); *Central States Forwarding Corp. v. B & P Motor Express, Inc.*, 1977-1 Trade Cas. (CCH) ¶ 61,461 (W.D. Pa.) (defendant's motion for summary judgment denied); *Schenley Industries, Inc. v. New Jersey Wine & Spirit Wholesalers Association*, 272 F. Supp. 872 (D.N.J. 1967) (allegations in complaint stricken); *United States v. Johns-Manville Corp.*, 1964 Trade Cas. (CCH) ¶ 71,092

(E.D. Pa.) (evidence ruled inadmissible). **FOURTH CIRCUIT:** *Hospital Building Co. v. Trustees of the Rex Hospital*, 691 F.2d 678 (4th Cir. 1982) (posttrial judgment for plaintiff reversed and remanded), cert. denied, 104 S. Ct. 259 (1983); *Pinehurst Airlines, Inc. v. Resort Air Services, Inc.*, 476 F. Supp. 543 (M.D.N.C. 1979) (dismissal of complaint denied); *Sims v. Tinney*, 482 F. Supp. 794 (D.S.C. 1977) (complaint dismissed), aff'd without opinion, 615 F.2d 1358 (4th Cir. 1979); *Charlotte Telecasters, Inc. v. Jefferson-Pilot Corp.*, 1977-1 Trade Cas. (CCH) ¶ 61,304 (W.D.N.C. 1974) (summary judgment for defendant), aff'd on other grounds, 546 F.2d 570 (4th Cir. 1976). **FIFTH AND ELEVENTH CIRCUITS:** *United States v. Southern Motor Carriers Rate Conference*, 672 F.2d 469 (5th Cir. 1982) (summary judgment for plaintiff), aff'd on rehearing, 702 F.2d 532 (5th Cir. 1983) (en banc), cert. granted, 104 S. Ct. 3508 (1984); *Industrial Investment Development Corp. v. Mitsui & Co.*, 671 F.2d 876 (5th Cir.) (summary judgment for defendants reversed), vacated and remanded on other grounds, 460 U.S. 1007 (1982), aff'd on rehearing, 704 F.2d 785 (5th Cir.) (per curiam), cert. denied, 104 S. Ct. 393 (1983); *Mid-Texas Communications Systems, Inc. v. American Telephone & Telegraph Co.*, 615 F.2d 1372 (5th Cir.) (posttrial judgment for plaintiff reversed), cert. denied, 449 U.S. 912 (1980); *Feminist Women's Health Center, Inc. v. Mohammad*, 586 F.2d 530 (5th Cir. 1978) (partial summary judgment for defendant affirmed), cert. denied, 444 U.S. 924 (1979); *International Telephone & Telegraph Co. v. United Telephone Co.*, 550 F.2d 287 (5th Cir. 1977) (per curiam) (posttrial judgment for defendant); *Household Goods Carriers' Bureau v. Terrell*, 452 F.2d 152 (5th Cir. 1971) (evidence of petitioning admissible; posttrial judgment for plaintiff on liability affirmed); *Woods Exploration & Producing Co. v. Aluminum Co. of America*, 438 F.2d 1286 (5th Cir. 1971) (judgment n.o.v. for defendant reversed and remanded), cert. denied, 404 U.S.

1047 (1972); *Vest v. Waring*, 565 F. Supp. 674 (N.D. Ga. 1983) (summary judgment for some defendants denied); *Hill Aircraft & Leasing Corp. v. Fulton County*, 561 F. Supp. 667 (N.D. Ga. 1982) (summary judgment for defendant denied on *Noerr* grounds but granted on other grounds), aff'd without opinion, 729 F.2d 1467 (11th Cir. 1984); *City of Atlanta v. Ashland-Warren, Inc.*, 1982-1 Trade Cas. (CCH) ¶ 64,527 (N.D. Ga. 1981) (dismissal of cross-claim denied); *Affiliated Capital Corp. v. City of Houston*, 519 F. Supp. 991 (S.D. Tex. 1981) (judgment n.o.v. for defendants), aff'd in relevant part, rev'd on other grounds, 735 F.2d 1555 (5th Cir. 1984) (en banc), petition for cert. filed, 53 U.S.L.W. 3509 (U.S. Dec. 14, 1984) (No. 84-951); *Schwegmann Brothers Giant Super Markets v. Almaden Vineyards, Inc.*, 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.) (summary judgment for defendant); *City of Gainseville v. Florida Power & Light Co.*, 488 F.Supp. 1258 (S.D. Fla. 1980) (counterclaim dismissed); *West Texas Utilities Co. v. Texas Electric Service Co.*, 470 F. Supp. 798 (N.D. Tex. 1979) (posttrial judgment for defendant); *Rush-Hampton Industries, Inc. v. Home Ventilating Institute*, 419 F. Supp. 19 (M.D. Fla. 1976) (summary judgment for defendant); *Foret v. Point Landing, Inc.*, 1976-2 Trade Cas. (CCH) ¶ 61,106 (E.D. La.) (complaint dismissed); *Marketing Assistance Plan, Inc. v. Associated Milk Producers, Inc.*, 338 F. Supp. 1019 (S.D. Tex. 1972) (summary judgment for defendant denied). SIXTH CIRCUIT: *Capitol International Airways v. Butler International, Inc.*, No. 81-1004 (6th Cir. June 1, 1982) (not for publication) (dismissal of complaint affirmed); *Trans-kentucky Transportation Railroad v. Louisville & Nashville Railroad Co.*, 581 F. Supp. 759 (E.D. Ky. 1983) (dismissal of complaint denied); *United States v. Central State Bank*, 564 F. Supp. 1478 (W.D. Mich. 1983) (dismissal of complaint denied); *Cincinnati Riverfront Coliseum, Inc. v. City of Cincinnati*, 556 F. Supp. 664 (S.D. Ohio 1983) (summary judgment for plaintiff); *Hopkins-*

*ville Cable TV, Inc. v. Pennyroyal Cablevision, Inc.*, 562 F. Supp. 543 (W.D. Ky. 1982) (summary judgment for defendant); *Huron Valley Hospital, Inc. v. City of Pontiac*, 466 F. Supp. 1301 (E.D. Mich. 1979) (summary judgment for defendant), vacated and remanded, 666 F.2d 1029 (6th Cir. 1981) (stay ordered until completion of state administrative and judicial proceedings); *Eliason Corp. v. National Sanitation Foundation*, 485 F. Supp. 1062 (E.D. Mich. 1977) (posttrial judgment for defendant), aff'd on other grounds, 614 F.2d 126 (6th Cir.), cert. denied, 449 U.S. 826 (1980). SEVENTH CIRCUIT: *Wilk v. American Medical Association*, 719 F.2d 207 (7th Cir.) (posttrial judgment for defendants reversed), aff'd mem., 723 F.2d 66 (7th Cir. 1983), cert. denied, 104 S. Ct. 2398 & 2399 (1984); *MCI Communications Corp. v. American Telephone & Telegraph Co.*, 708 F.2d 1081 (7th Cir.) (posttrial judgment for plaintiff affirmed), cert. denied, 104 S. Ct. 234 (1983); *City of Mishawaka v. American Electric Power Co.*, 616 F.2d 976 (7th Cir. 1980) (posttrial judgment for plaintiff affirmed on *Noerr* grounds), cert. denied, 449 U.S. 1096 (1981); *Kurek v. Pleasure Driveway & Park District*, 557 F.2d 580 (7th Cir. 1977) (dismissal of complaint reversed), vacated and remanded on other grounds, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 378 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979); *Bob Layne Contractor, Inc. v. Bartel*, 504 F.2d 1293 (7th Cir. 1974) (summary judgment for defendant affirmed); *Richard Hoffman Corp. v. Integrated Buildings Systems, Inc.*, 581 F. Supp. 367 (N.D. Ill. 1984) (dismissal of complaint on *Noerr* grounds denied); *In re Wheat Rail Freight Rate Antitrust Litigation*, 579 F. Supp. 517 (N.D. Ill. 1984) (*Noerr* affirmative defense stricken); *Unity Ventures v. County of Lake*, 1984-1 Trade Cas. (CCH) ¶ 65,883 (N.D. Ill. 1983) (dismissal of complaint denied); *Campbell v. City of Chicago*, 577 F. Supp. 1166 (N.D. Ill. 1983) (dismissal of complaint denied); *Wheeling-Pittsburgh Steel Corp. v. Allied Tube & Con-*



*duit Corp.*, 573 F. Supp. 833 (N.D. Ill. 1983) (summary judgment for counterclaim-defendant); *United States Dental Institute v. American Association of Orthodontists*, 396 F. Supp. 565 (N.D. Ill. 1975) (motion to strike allegations in complaint denied); *Metro Cable Co. v. CATV of Rockford, Inc.*, 375 F. Supp. 350 (N.D. Ill. 1974) (complaint dismissed), *aff'd*, 516 F.2d 220 (7th Cir. 1975); *United States v. American Natural Gas Co.*, 206 F. Supp. 908 (N.D. Ill. 1962) (dismissal of indictment denied). EIGHTH CIRCUIT: *Alexander v. National Farmers Organization*, 687 F.2d 1173 (8th Cir. 1982) (evidence of lobbying admissible; posttrial judgment for defendant affirmed), *cert. denied*, 103 S. Ct. 2108 (1983); *City of Kirkwood v. Union Electric Co.*, 671 F.2d 1173 (8th Cir. 1982) (summary judgment for defendant reversed), *cert. denied*, 459 U.S. 1170 (1983); *Westborough Mall, Inc. v. City of Cape Girardeau*, 693 F.2d 733 (8th Cir. 1982) (summary judgment for defendant reversed), *cert. denied*, 461 U.S. 945 (1983); *Mark Aero, Inc. v. Trans World Airlines*, 580 F.2d 288 (8th Cir. 1978) (dismissal of complaint reversed); *Central Savings & Loan Association v. Federal Home Loan Bank Board*, 422 F.2d 504 (8th Cir. 1970) (summary judgment for defendant affirmed); *Gold Cross Ambulance v. City of Kansas City*, 538 F. Supp. 956 (W.D. Mo. 1982) (summary judgment for defendants denied), *aff'd* on other grounds, 705 F.2d 1005 (8th Cir. 1983); *Mason City Center Associates v. City of Mason City, Iowa*, 468 F. Supp. 737 (N.D. Iowa 1979) (dismissal of complaint denied; posttrial judgment for defendant on other grounds), *aff'd* in part, *rev'd* in part, 671 F.2d 1146 (8th Cir. 1982); *George Benz & Sons v. Twin City Milk Producers Association, Inc.*, 299 F. Supp. 679 (D. Minn. 1969) (summary judgment for defendants). NINTH CIRCUIT: *Phoenix Baptist Hospital & Medical Center v. Samaritan Health Services*, No. 81-5848 (summary judgment for defendants), summarily reported at 688 F.2d 847 (9th Cir. Aug. 25, 1982), *cert. denied*, 103



S. Ct. 3096 (1983); *In re Airport Car Rental Antitrust Litigation*, 693 F.2d 84 (9th Cir. 1982) (summary judgment for defendants affirmed), cert. denied, 103 S. Ct. 3114 (1983); *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 674 F.2d 1252 (9th Cir. 1982) (summary judgment for defendant reversed), cert. denied, 459 U.S. 1227 (1983); *Franchise Realty Interstate Corp. v. San Francisco Local Joint Executive Board of Culinary Workers*, 542 F.2d 1076 (9th Cir. 1976) (dismissal of complaint affirmed), cert. denied, 430 U.S. 940 (1977); *Sacramento Coca-Cola Bottling Co. v. Chauffeurs, Teamsters & Helpers Local 150*, 440 F.2d 1096 (9th Cir.) (dismissal of complaint reversed), cert. denied, 404 U.S. 826 (1971); *Sun Valley Disposal Co. v. Silver State Disposal Co.*, 420 F.2d 341 (9th Cir. 1969) (summary judgment for defendant affirmed on other grounds); *Harman v. Valley National Bank*, 339 F.2d 564 (9th Cir. 1964) (dismissal of complaint reversed); *Lockary v. Kafetz*, 587 F. Supp. 631 (N.D. Cal. 1984) (complaint dismissed); *Llewellyn v. Crothers*, 1983-1 Trade Cas. (CCH) ¶ 65,358 (D. Or.) (summary judgment for defendants); *United States v. Title Insurance Rating Bureau of Arizona, Inc.*, 517 F. Supp. 1053 (D. Ariz. 1981) (summary judgment for plaintiff), aff'd on other grounds, 700 F.2d 1247 (9th Cir. 1983), cert. denied, 104 S. Ct. 3509 (1984); *United States v. Motor Vehicle Manufacturers Association*, 1979-1 Trade Cas. (CCH) ¶ 62,557 (C.D. Cal.) (modification to consent decree), rev'd on other grounds upon reconsideration, 1979-2 Trade Cas. (CCH) ¶ 62,759 (C.D. Cal.), rev'd and remanded on other grounds, 643 F.2d 644 (9th Cir. 1981), decision upon reconsideration aff'd, 1982-83 Trade Cas. (CCH) ¶ 65,175 (C.D. Cal. 1982); *Oahu Gas Service, Inc. v. Pacific Resources, Inc.*, 460 F. Supp. 1359 (D. Hawaii 1978) (summary judgment for defendant denied); *Dollar Rent A Car System, Inc. v. Hertz Corp.*, 434 F. Supp. 513 (N.D. Cal. 1977) (dismissal of complaint denied); *BBD Transportation Co. v. United States*

*Steel Corp.*, 1976-2 Trade Cas. (CCH) ¶ 61,079 (N.D. Cal.) (summary judgment for defendant denied); *Beltz Travel Service, Inc. v. International Air Transport Association*, 1974-2 Trade Cas. ¶ 75,223 (N.D. Cal.) (summary judgment for defendant), rev'd on other grounds sub nom. *Beltz Travel Service, Inc. v. International Air Transport Association*, 620 F.2d 1360 (9th Cir. 1980); *Occidental Petroleum Corp. v. Buttes Gas & Oil Co.*, 331 F. Supp. 92 (C.D. Cal. 1971) (complaint dismissed), aff'd, 461 F.2d 1261 (9th Cir.) (per curiam), cert. denied, 409 U.S. 950 (1972); *Wall Products Co. v. National Gypsum Co.*, 326 F. Supp. 295 (N.D. Cal. 1971) (evidence of lobbying admissible; posttrial judgment for plaintiff); *United States v. Northern California Pharmaceutical Association*, 235 F. Supp. 378 (N.D. Cal. 1964) (modification of consent decree denied). TENTH CIRCUIT: *Webb v. Utah Tour Brokers Association*, 568 F.2d 670 (10th Cir. 1977) (evidence of lobbying admissible; posttrial judgment for plaintiff affirmed); *In re New Mexico Natural Gas Antitrust Litigation*, 1982-1 Trade Cas. (CCH) ¶ 64,685 (D.N.M.) (summary judgment for defendant denied); *Cow Palace, Ltd. v. Associated Milk Producers, Inc.*, 390 F. Supp. 696 (D. Colo. 1975) (complaint dismissed). DISTRICT OF COLUMBIA CIRCUIT: *Federal Prescription Service, Inc. v. American Pharmaceutical Association*, 663 F.2d 253 (D.C. Cir. 1981) (posttrial judgment for plaintiff reversed), cert. denied, 455 U.S. 923 (1982); *Israel v. Baxter Laboratories, Inc.*, 466 F.2d 272 (D.C. Cir. 1972) (dismissal of complaint vacated); *Association of Western Railways v. Riss & Co.*, 299 F.2d 133 (D.C. Cir.) (posttrial judgment for plaintiffs reversed), cert. denied, 370 U.S. 916 (1962); *Southern Pacific Communications Co. v. American Telephone & Telegraph Co.*, 556 F. Supp. 825 (D.D.C. 1982) (posttrial judgment for defendant), aff'd, 740 F.2d 980 (D.C. Cir. 1984); *United States v. American Telephone & Telegraph Co.*, 524 F. Supp. 1336 (D.D.C. 1981) (directed verdict for defendant on all but

one *Noerr* defense claim); *Brown v. Carr*, 1980-1 Trade Cas. (CCH) ¶ 63,033 (D.D.C. 1979) (summary judgment for defendant denied); *General Aircraft Corp. v. Air America, Inc.*, 482 F. Supp. 3 (D.D.C. 1979) (dismissal of complaint denied); *Financial Analysis Service v. Califano*, 1978-2 Trade Cas. (CCH) ¶ 62,232 (D.D.C.) (summary judgment for defendant); *Bank Building & Equipment Corp. v. National Council of Architectural Registration Boards*, 1975-1 Trade Cas. (CCH) ¶ 60,108 (D.D.C.) (complaint dismissed); *United States v. Morgan Drive Away, Inc.*, 1974-1 Trade Cas. (CCH) ¶ 74,888 (D.D.C.) (dismissal of indictment denied) and 1976-1 Trade Cas. (CCH) ¶ 60,949 (D.D.C.) (consent decree). FEDERAL TRADE COMMISSION: *In re Massachusetts Furniture & Piano Movers Association, Inc.*, 3 Trade Reg. Rep. (CCH) ¶ 22,081 (F.T.C. Sept. 28, 1983) (cease and desist order issued), appeal docketed, No. 83-1892 (1st Cir. Dec. 6, 1983); *In re Michigan State Medical Society*, [1979-1983 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 21,991 (F.T.C. Feb. 17, 1983) (cease and desist order issued).

## APPENDIX C

CASES IN WHICH CLAIMS FOUNDED ON THE  
FILING OF LAWSUITS WERE ASSERTED

FIRST CIRCUIT: *George R. Whitten, Jr., Inc. v. Pad-dock Pool Builders, Inc.*, 424 F.2d 25 (1st Cir.) (summary judgment for defendants vacated), cert. denied, 400 U.S. 850 (1970); *Codex Corp. v. Racal-Milgo, Inc.*, 1984-1 Trade Cas. (CCH) ¶ 65,853 (D. Mass.) (dismissal of complaint denied); *Classic Film Museum, Inc. v. Warner Brothers*, 523 F. Supp. 1230 (D. Me. 1981) (complaint dismissed); *Manpower, Inc. v. Foley*, 212 U.S.P.Q. (BNA) 445 (D. Mass. 1980) (summary judgment for counterclaim-defendant). SECOND CIRCUIT: *Suburban Restoration Co. v. ACMAT Corp.*, 700 F.2d 98 (2d Cir. 1983) (dismissal of complaint applying *Noerr* under Connecticut law affirmed); *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891 (2d Cir. 1981) (summary judgment for defendants reversed); *Commerce Tankers Corp. v. National Maritime Union*, 553 F.2d 793 (2d Cir.) (summary judgment for counterclaim-defendant reversed), cert. denied, 434 U.S. 923 (1977); *Caplan v. American Baby, Inc.*, 582 F. Supp. 869 (S.D.N.Y. 1984) (motion to dismiss counterclaim stayed pending discovery on basis for counterclaim); *Association of Data Processing Services Organizations, Inc. v. Citibank, N.A.*, 508 F. Supp. 91 (S.D.N.Y. 1980) (counterclaim dismissed); *Town of Massena v. Niagara Mohawk Power Corp.*, 1980-2 Trade Cas. (CCH) ¶ 63,526 (N.D.N.Y.) (posttrial judgment for defendant); *Reaemco, Inc. v. Allegheny Airlines*, 496 F. Supp. 546 (S.D.N.Y. 1980) (complaint dismissed); *Citicorp v. Interbank Card Association*, 478 F. Supp. 756 (S.D.N.Y. 1979) (dismissal of counterclaim denied); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979) ((plaintiff's antitrust defense to defendant's request for permanent injunction barring copyright infringement rejected); *Dominicus Americana Bohio v.*

*Gulf & Western Industries, Inc.*, 473 F. Supp. 680 (S.D. N.Y. 1979) (dismissal of complaint denied); *Wilmorite, Inc. v. Eagan Real Estate, Inc.*, 454 F. Supp. 1124 (N.D. N.Y. 1977) (counterclaim dismissed), aff'd without opinion, 578 F.2d 1372 (2d Cir.), cert. denied, 439 U.S. 983 (1978); *Strategic Marketing Services, Inc. v. Cut & Curl, Inc.*, 1977-2 Trade Cas. (CCH) ¶ 61,788 (D. Conn.) (complaint dismissed); *Mountain Grove Cemetery Association v. Norwalk Vault Co.*, 428 F. Supp. 951 (D. Conn. 1977) (complaint dismissed); *B.A.M. Liquors, Inc. v. Satenstein*, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D. N.Y.) (posttrial judgment for plaintiff); *Baltimore & Ohio Railroad Co. v. New York, New Haven & Hartford Railroad Co.*, 196 F. Supp. 724 (S.D.N.Y. 1961) (counterclaim stricken). THIRD CIRCUIT: *Columbia Pictures Industries, Inc. v. Redd Horne Inc.*, 568 F. Supp. 494 (W.D. Pa. 1983) (counterclaim dismissed); *City of Newark v. Delmarva Power & Light Co.*, 497 F. Supp. 323 (D. Del. 1980) (counterclaim dismissed); *Realco Services, Inc. v. Holt*, 479 F. Supp. 880 (E.D. Pa. 1979) (counterclaim dismissed; dismissal of cross-claim denied); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168 (D. Del. 1979) (counterclaim dismissed); *Bethlehem Plaza v. Campbell*, 403 F. Supp. 966 (E.D. Pa. 1975) (complaint dismissed); see *Citizens' Wholesale Supply Co. v. Snyder*, 201 F. 907 (3d Cir.) (judgment for defendant affirmed), cert. denied, 229 U.S. 609 (1913). FOURTH CIRCUIT: *Virginia Academy of Clinical Psychologists v. Blue Shield of Virginia*, 624 F.2d 476 (4th Cir. 1980) (posttrial judgment for defendant vacated and remanded), cert. denied, 450 U.S. 916 (1981); see *AB Iro v. Otex, Inc.*, 566 F. Supp. 419 (D.S.C. 1983) (posttrial judgment for counterclaim-defendant). FIFTH CIRCUIT: *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983) (directed verdict for defendant's affirmed); *Associated Radio Services Co. v. Page Airways*, 624 F.2d 1342 (5th Cir. 1980) (evidence of institution of lawsuits relevant; posttrial judgment for

plaintiff affirmed), cert. denied, 450 U.S. 1030 (1981); *Rohm & Haas Co. v. Dawson Chemical Co.*, 557 F. Supp. 739 (S.D. Tex. 1983) (posttrial judgment for counterclaim-defendant); *Picante, Inc. v. Jimenez Food Products, Inc.*, 1982-2 Trade Cas. (CCH) ¶ 64,977 (W.D. Tex.) (dismissal of counterclaim denied); *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258 (S.D. Fla. 1980) (counterclaim dismissed). SIXTH CIRCUIT: *City of Cleveland v. Cleveland Illuminating Co.*, 734 F.2d 1157 (6th Cir.) (posttrial judgment for defendant affirmed), cert. denied, 105 S. Ct. 253 (1984); *Taylor Drug Stores, Inc. v. Associated Dry Goods Corp.*, 560 F.2d 211 (6th Cir. 1977) (per curiam) (summary judgment for defendant affirmed); *Transkentucky Transportation Railroad v. Louisville & Nashville Railroad Co.*, 581 F. Supp. 759 (E.D. Ky. 1983) (dismissal of complaint denied); *Consortium, Inc. v. Knoxville International Energy Exposition*, 563 F. Supp. 56 (S.D. Tenn. 1983) (complaint dismissed); *Baxter Travenol Laboratories, Inc. v. LeMay*, 536 F. Supp. 247 (S.D. Ohio 1982) (plaintiff's claims ordered tried before counterclaim alleging complaint was sham); *Chest Hill Co. v. Guttman*, 1981-2 Trade Cas. (CCH) ¶ 64,417 (S.D. Ohio) (summary judgment for defendants); *Johns-Manville Corp. v. Guardian Industries Corp.*, 1981-1 Trade Cas. (CCH) ¶ 64,054 (E.D. Mich.) (counterclaim dismissed); *Rahal v. Crestmont Cadillac Corp.*, 514 F. Supp. 926 (N.D. Ohio 1981) (summary judgment for defendant); *Sage International, Ltd. v. Cadillac Gage Co.*, 507 F. Supp. 939 (E.D. Mich. 1981) (summary judgment for defendant denied); *Pennwalt Corp. v. Zenith Laboratories, Inc.*, 472 F. Supp. 413 (E.D. Mich. 1979) (counterclaim dismissed), appeal dismissed without opinion, 615 F.2d 1362 (6th Cir. 1980); *Clairol, Inc. v. Boston Discount Center*, 1976-2 Trade Cas. (CCH) ¶ 61,108 (E.D. Mich.) (posttrial judgment for counterclaim-defendant), aff'd on other grounds, 608 F.2d 1114 (6th Cir. 1979). SEVENTH CIRCUIT: *Winterland Concessions Co. v. Trela*,



735 F.2d 257 (7th Cir. 1984) (dismissal of counterclaim reversed); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982) (summary judgment for defendant reversed), cert. denied, 103 S. Ct. 2430 (1983); *Bob Layne Contractor, Inc. v. Bartel*, 504 F.2d 1293 (7th Cir. 1974) (summary judgment for defendant affirmed); *Alberto-Culver Co. v. Andrea Dumon, Inc.*, 466 F.2d 705 (7th Cir. 1972) (dismissal of counterclaim affirmed); *Unity Ventures v. County of Lake*, 1984-1 Trade Cas. (CCH) ¶ 65,883 (N.D. Ill. 1983) (dismissal of complaint denied); *Technicon Medical Information Systems Corp. v. Green Bay Packaging, Inc.*, 480 F. Supp. 124 (E.D. Wisc. 1979) (dismissal of counterclaim denied); *City of Mishawaka v. American Electric Power Co.*, 465 F. Supp. 1320 (N.D. Ind. 1979) (posttrial judgment for counterclaim-defendant), aff'd in part and remanded on other grounds, 616 F.2d 976 (7th Cir. 1980), cert. denied, 449 U.S. 1096 (1981); *Loctite Corp. v. Fel-Pro Inc.*, 1978-2 Trade Cas. (CCH) ¶ 62,204 (N.D. Ill.) (counterclaim dismissed); *Cyborg Systems, Inc. v. Management Science America, Inc.*, 1978-1 Trade Cas. (CCH) ¶ 61,927 (N.D. Ill.) (dismissal of complaint denied); *Platt Saco Lowell, Ltd. v. Spindelfabrik Suessen-Schurr*, 1978-1 Trade Cas. (CCH) ¶ 61,898 (N.D. Ill. 1977) (counterclaim dismissed), later proceeding, 208 U.S.P.Q. (BNA) 479 (N.D. Ill. 1980); *Bracken's Shopping Center, Inc. v. Ruwe*, 273 F. Supp. 606 (S.D. Ill. 1967) (complaint dismissed). EIGHTH CIRCUIT: *First American Title Co. v. South Dakota Land Title Association*, 714 F.2d 1439 (8th Cir. 1983) (posttrial judgment for defendant affirmed), cert. denied, 104 S. Ct. 709 (1984); *Alexander v. National Farmers Organization*, 687 F.2d 1173 (8th Cir. 1982) (posttrial judgment for defendant affirmed), cert. denied, 103 S. Ct. 2108 (1983); *S.M. Arnold, Inc. v. Union Carbide Corp.*, 487 F. Supp. 1182 (E.D. Mo. 1980) (counterclaim dismissed); *First National Bank v. Marquette National Bank*, 482 F. Supp. 514 (D. Minn. 1979) (summary judgment for defend-

ant), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981); *Central Bank v. Clayton Bank*, 424 F. Supp. 163 (E.D. Mo. 1976) (complaint dismissed), aff'd without opinion, 553 F.2d 102 (8th Cir.), cert. denied, 433 U.S. 910 (1977); *United States v. Empire Gas Corp.*, 393 F. Supp. 903 (W.D. Mo. 1975) (posttrial judgment for defendant), aff'd, 537 F.2d 296 (8th Cir. 1976), cert. denied, 429 U.S. 1122 (1977); see *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85 (S.D. Iowa 1982) (posttrial judgment for counterclaim-defendant), aff'd, 721 F.2d 253 (8th Cir. 1983) (per curiam). NINTH CIRCUIT: *Omni Resource Development Corp. v. Conoco, Inc.*, 739 F.2d 1412 (9th Cir. 1984) (dismissal of complaint affirmed); *Aydin Corp. v. Loral Corp.*, 718 F.2d 897 (9th Cir. 1983) (summary judgment for defendant affirmed); *Miller Brewing Co. v. General Brewing Co.*, Nos. 82-4479, 82-4500 (9th Cir. June 17, 1983) (not for publication) (summary judgment for counterclaim-defendant affirmed); *Wood v. MacDonald Group Ltd.*, No. 82-5563 (9th Cir. March 21, 1983) (not for publication) (dismissal of complaint affirmed); *Energy Conservation, Inc. v. Heliodyne, Inc.*, 698 F.2d 386 (9th Cir. 1983) (dismissal of complaint reversed); *Acquarian Products, Inc. v. DynaClean, Inc.*, No. 80-5925 (9th Cir. April 9, 1982) (not for publication) (dismissal of complaint affirmed); *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250 (9th Cir. 1982) (summary judgment for counterclaim-defendant affirmed); *Anti-Monopoly, Inc. v. General Mills, Inc.*, 684 F.2d 1326 (9th Cir. 1982) (summary judgment for defendant affirmed); *Valerio v. Boise Cascade Corp.*, 645 F.2d 699 (9th Cir. 1981) (per curiam) (summary judgment for defendants affirmed), cert. denied, 454 U.S. 1126 (1981); *Ad Visor, Inc. v. Pacific Telephone & Telegraph Co.*, 640 F.2d 1107 (9th Cir. 1981) (injunction barring prosecution of suits dissolved); *Ernest W. Hahn, Inc. v. Coddling*, 615 F.2d 830 (9th Cir. 1980) (dismissal of complaint reversed); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986 (9th Cir.

1979) (post-trial judgment for plaintiff reversed), cert. denied, 444 U.S. 1025 (1980), case on remand, 743 F.2d 1282 (9th Cir. 1984) (posttrial judgment for plaintiff affirmed), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); *U.S. Audio & Copy Corp. v. Philips Business Systems Inc.*, 1983-1 Trade Cas. ¶ 65,364 (N.D. Cal.) (summary judgment for counterclaim-defendant denied); *GCA Corp. v. Chance*, 1981-1983 Copyright L. Dec. (CCH) ¶ 25,464 (N.D. Cal. 1982) (counterclaim dismissed); *Ross v. Bremer*, 1982-2 Trade Cas. (CCH) ¶ 64,746 (W.D. Wash.) (summary judgment for defendant denied); *Plumbers & Steamfitters Local 598 v. Morris*, 511 F. Supp. 1298 (E.D. Wash. 1981) (summary judgment for defendants); *Oahu Gas Service, Inc. v. Pacific Resources, Inc.*, 460 F. Supp. 1359 (D. Hawaii 1978) (summary judgment for defendant); *Beltz Travel Service, Inc. v. International Air Transportation Association*, 1974-2 Trade Cas. (CCH) ¶ 75,223 (N.D. Cal.) (summary judgment for defendant), rev'd on other grounds sub nom. *Beltz Travel Service, Inc. v. International Air Transport Association*, 620 F.2d 1360 (9th Cir. 1980).

TENTH CIRCUIT: *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171 (10th Cir. 1982) (dismissal of complaint affirmed); *Adolph Coors Co. v. A & S Wholesalers, Inc.*, 561 F.2d 807 (10th Cir. 1977) (dismissal of counterclaim affirmed); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285 (10th Cir. 1974) (posttrial judgment for counterclaim-plaintiff reversed), cert. denied, 419 U.S. 1120 (1975); *Gibson v. Greater Park City Co.*, 1984-1 Trade Cas. (CCH) ¶ 65,978 (D. Utah) (summary judgment for defendants); *National Cash Register Corp. v. Arnett*, 554 F. Supp. 1176 (D. Colo. 1983) (dismissal of counterclaim denied); *Sunergy Communities, Inc. v. Aristek Properties, Ltd.*, 535 F. Supp. 1327 (D. Colo. 1982) (summary judgment for defendants denied); *Colorado Petroleum Marketing Association v. Southland Corp.*, 476 F. Supp. 373 (D. Colo.

1979) (dismissal of counterclaim denied); see *In re New Mexico Natural Gas Antitrust Litigation*, 1982-1 Trade Cas. (CCH) ¶ 64,685 (D.N.M.) (summary judgment for defendant denied on claim relating to court-approved settlement). DISTRICT OF COLUMBIA CIRCUIT: *United States v. Morgan Drive Away, Inc.*, 1974-1 Trade Cas. (CCH) ¶ 74,888 (D.D.C.) (dismissal of indictment denied) and 1976-1 Trade Cas. ¶ 60,949 (D.D.C.) (consent decree).

**APPENDIX J****CONSTITUTIONAL PROVISIONS AND  
STATUTE INVOLVED****UNITED STATES CONSTITUTION****Amendment I:**

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

**Amendment V:**

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

**SHERMAN ACT****15 U.S.C. § 1:**

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be

213a

illegal shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or, if any other person, one hundred thousand dollars, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.



3

No. 87-705

Supreme Court, U.S.

FILED

OCT 30 1987

JOSEPH P. SPANIOL, JR.  
CLERK

IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1987

UNION PACIFIC RAILROAD COMPANY,  
UNION PACIFIC CORPORATION,  
MISSOURI PACIFIC RAILROAD COMPANY,  
KANSAS CITY SOUTHERN INDUSTRIES, INC.,  
KANSAS CITY SOUTHERN RAILWAY COMPANY,  
BURLINGTON NORTHERN, INC.,  
BURLINGTON NORTHERN RAILROAD COMPANY, AND  
CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY,  
v. *Petitioners,*

ENERGY TRANSPORTATION SYSTEMS, INC., AND  
ETSI PIPELINE PROJECT, A JOINT VENTURE, *et al.*,  
*Respondents.*

SUPPLEMENTAL APPENDIX TO  
PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT

B.J. BRADSHAW  
RICHARD N. CARRELL  
LAYNE E. KRUSE  
FULBRIGHT & JAWORSKI  
1301 McKinney Street  
Houston, TX 77010  
(713) 651-5151

HENRY P. SAILER  
GREGG H. LEVY \*  
MITCHELL F. DOLIN  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 662-6000

JOHN G. BISSELL  
STRONG, PIPKIN, NELSON &  
BISSELL  
595 Orleans Street  
Beaumont, TX 77701  
(409) 835-4581

*Attorneys for Petitioners Union Pacific Railroad Company,  
Union Pacific Corporation and  
Missouri Pacific Railroad Company*

[Counsel for other petitioners are identified on the inside cover]

October 1987

\* Counsel of Record

O. J. WEBER, JR.  
MEHAFFY, WEBER, KEITH &  
GONSOLIN  
P.O. Box 16  
Beaumont, TX 77704  
(409) 835-5011

JOHN H. SHENEFIELD \*  
PETER E. HALLE  
MORGAN, LEWIS & BOCKIUS  
1800 M Street, N.W.  
Washington, D.C. 20036  
(202) 872-5000

*Attorneys for Petitioners*  
*Kansas City Southern Industries, Inc. and*  
*Kansas City Southern Railway Company*

LOUIS B. PAINE, JR.  
BUTLER & BINION  
1600 Allied Bank Plaza  
Houston, TX 77002  
(713) 237-3111

JOHN R. LABOVITZ  
MARK F. HORNING \*  
STEPTOE & JOHNSON  
1330 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
(202) 429-3000

*Attorneys for Petitioners*  
*Burlington Northern, Inc. and*  
*Burlington Northern Railroad Company*

WALTER J. CRAWFORD, JR.  
WELLS, PEYTON, BEARD,  
GREENBERG, HUNT &  
CRAWFORD  
624 Petroleum Building  
550 Fannin Street  
Beaumont, TX 77704  
(409) 838-2644

GARY SENNER \*  
STEVEN H. FRANKEL  
SONNENSCHN EIN CARLIN NATH &  
ROSENTHAL  
233 S. Wacker Drive  
8000 Sears Tower  
Chicago, IL 60606  
(312) 876-8059

*Attorneys for Petitioner*  
*Chicago and North Western Transportation Company*

\* Counsel of Record

**STATEMENT OF PARENTS, SUBSIDIARIES, AND  
AFFILIATES OF PETITIONERS**

The following is a statement of the parents, subsidiaries (except wholly-owned subsidiaries), and affiliates of each of the petitioners in the above-captioned case, provided pursuant to Rule 28.1 of this Court's Rules:

---

**PETITIONERS UNION PACIFIC CORPORATION,  
UNION PACIFIC RAILROAD COMPANY AND  
MISSOURI PACIFIC RAILROAD COMPANY**

Bear Creek Uranium Company  
Black Butte Coal Company  
Camas Prairie Railroad Company  
The Denver Union Terminal Railway Company  
Frontier Pipeline  
Jefferson Southwestern Railroad Company  
Kansas City Terminal Railway Company  
Longview Switching Company  
M-C Carbon Partnership  
Medicine Bow Coal Company  
The Ogden Union Railway and Depot Company  
Portland Traction Company  
Portland Terminal Railroad Company  
The St. Joseph and Grand Island Railway Company  
Southern Illinois and Missouri Bridge Company  
Stauffer Chemical Company of Wyoming  
Trailer Train Company  
Uinta Development Company  
Upland Industries Corporation  
The Weatherford Mineral Wells and  
Northwestern Railroad Company  
Arkansas & Memphis Railway Bridge and  
Terminal Company  
Automated Monitoring and  
Control International, Inc.  
Central California Traction Company

SA-2

Chicago and Western Indiana Railroad Company  
Great Southwest Railroad, Inc.  
Oakland Terminal Railway  
Railroad Association Insurance Limited  
St. Joseph Terminal Railroad Company  
Terminal Railroad Association of St. Louis  
Texas City Terminal Railway Company  
The Belt Railway Company of Chicago  
The Pueblo Union Depot and Railroad Company  
Union Pacific Realty Company

PETITIONERS KANSAS CITY SOUTHERN  
INDUSTRIES, INC. AND KANSAS CITY  
SOUTHERN RAILWAY COMPANY

ALC Communications, Inc.  
Argus PMS  
Boston Financial Data Services, Inc.  
Direct Broadcast Satellite Corp.  
Downtown Investors  
DST Computer Services S.A.  
DST Systems, Inc.  
Fast Foto, Inc.  
First of Michigan  
IDEX Management, Inc.  
International Satellite, Inc.  
Investors Fiduciary Trust Company  
Janus Capital Corporation  
Joplin Union Depot Co.  
KC Terminal Railway Company  
The Lamarck Group  
LDX Group, Inc.  
Northern Farms, Inc.  
Ocean Lagoon Assoc.  
Plaza Investors  
Port Arthur Bulk Marine Terminal Co.  
Rycom Instruments, Inc.  
10 Central Garage Associates

SA-3

TPM Europe, Inc.  
Trailer Train Company  
Transaction Services, Inc.  
Two Heritage Drive Realty Association  
Vantage Computer Systems, Inc.  
WilTel/LDX Acquisition Corp.  
Winchester Venture I  
Winchester Venture II  
Wyandotte Garage Corp.

PETITIONERS BURLINGTON NORTHERN, INC.  
AND BURLINGTON NORTHERN  
RAILROAD COMPANY

The Belt Railway Company of Chicago  
Burlington Northern Dock Corporation  
Burlington Northern (Manitoba) Limited  
Burlington Northern Railroad Properties, Inc.  
CBR Distribution Corporation  
Camas Prairie Railroad Company  
Clarkland Royalty, Inc.  
Davenport, Rock Island and North Western  
Railway Company  
The Denver Union Terminal Railway Company  
Houston Belt & Terminal Railway Company  
Iowa Transfer Railway Company  
Kansas City Terminal Railway Company  
Keokuk Union Depot Company  
The Lake Superior Terminal and  
Transfer Railway Company  
Longview Switching Company  
MT Properties, Inc.  
Paducah & Illinois Railroad Company  
Portland Terminal Railroad Company  
Terminal Railroad Association of St. Louis  
Trailer Train Company  
Western Fruit Express Company  
The Wichita Union Terminal Railway Company

SA-4

Winona Bridge Railway Company  
Northern Radio Ltd.  
BN Financial Services Inc.  
BN Geothermal Inc.  
BN Leasing Inc.  
Burlington Northern Foundation  
Burlington Northern International Services Inc.  
    Burlington Northern Trading Company Inc.  
Burlington Northern Motor Carriers Inc.  
    BNMC Leasing Inc.  
    Joplin Hiway, Inc.  
        Monkem Company, Inc.  
    Monroe Trucking Inc.  
        Mid-South Brokerage Inc.  
    Stoops Express, Inc.  
    Victory Freightway System, Inc.  
        VFS Brokerage Inc.  
    Wingate/Taylor Maid Transportation, Inc.  
Burlington Northern Overseas Finance  
    Company N.V.  
Colt Intermodal Inc.  
Glacier Park Company  
    Dreyer Bros., Inc.  
    Glacier Park Boulder Company  
    Glacier Park Denver Company  
    Glacier Park Gateway Company  
    Glacier Park Orillia Company I  
    Glacier Park Riverpoint Company  
    Heritage Glacier Park Company  
    Kalispell Glacier Park Company  
    Tennessee Glacier Park Company  
Glacier Park Liquidating Company  
Meridian Minerals Company  
    Granite Falls Rock  
    Meridian Aggregates Company  
    Saxony Corporation



SA-5

M-R Holdings Inc.

M-R Holdings Acquisition Company

M-R Holdings Inc. No.1 (Through No. 7)

Southland Royalty Company

Southland Gathering Company

Southland Pipeline Company

SRC Production Company

SRC Realty Company

National Exchange, Inc.

National Exchange Satellite, Inc.

New Mexico and Arizona Land Company

NZ Development Corporation

NZ Properties, Inc.

Plum Creek Timber Company, Inc.

Plum Creek Foreign Sales Corporation

Research Applications Inc.

The El Paso Company

El Paso Natural Gas Company

BEM Holding Corporation

El Paso Development Company

Ex-Mission Ranches, Inc.

Windjammer, Inc.

El Paso Gas Marketing Co.

El Paso Hydrocarbons Company

El Paso Frontera Corporation

El Paso Gas Transportation Company

El Paso Storage Company

West Lake Natural Gasoline

Company

Odessa Natural Gasoline Co.

Odessa Pipeline Company

Pecos Company

El Paso Mojave Pipeline Co.

El Paso Natural Gas Clearinghouse

Company

El Paso Production Company

SA-6

Meridian Oil Holding Inc.

Meridian Oil Inc.

Butte Pipe Line Company

Meridian Oil Trading Inc.

Northern Rockies Pipe Line Co.

Portal Pipe Line Company

Portal II Company

Meridian Oil Production Inc.

EPX Company

Meridian Oil Services Inc.

CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY

ACE Limited

CNW Corporation

Iowa Transfer Railway Company

Kansas City Terminal Railway Company

MT Properties

Peoria and Pekin Union Railway Company

Railroad Association Insurance Limited

Trailer Train Company

Transportation Data Xchange, Inc.



(4)  
No. 87-705

Supreme Court, U.S.  
**FILED**

**NOV 30 1987**

JOSEPH E. SPENCER, JR.  
CLERK

IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1987

UNION PACIFIC RAILROAD Co., *et al.*,  
v. *Petitioners,*

ENERGY TRANSPORTATION SYSTEMS, INC., *et al.*,  
*Respondents.*

On Petition For a Writ of Certiorari to the United States  
Court of Appeals for the Fifth Circuit

BRIEF OF RESPONDENTS  
ENERGY TRANSPORTATION SYSTEMS, INC.  
AND ETSI PIPELINE PROJECT,  
A JOINT VENTURE, IN OPPOSITION

HARRY M. REASONER  
JOHN L. MURCHISON, JR.\*  
W. DALTON TOMLIN  
JOHN L. CARTER  
JOHN D. TAURMAN  
CHARLES W. SCHWARTZ  
ROBERT C. WALTERS  
CELSO M. GONZALEZ-FALLA  
VINSON & ELKINS  
First City Tower  
Houston, Texas 77002  
(713) 651-2222

MICHAEL J. HENKE  
C. MICHAEL BUXTON  
JAMES R. LAYTON  
MICHAEL E. GLOVER  
GRETCHEN A. HEGEMIER  
VINSON & ELKINS  
1455 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 639-6500  
GILBERT I. LOW  
ORGAIN, BELL & TUCKER  
470 Orleans Street  
Beaumont, Texas 77701  
(409) 838-6412

*Attorneys for Respondents*  
*Energy Transportation Systems, Inc. and*  
*ETSI Pipeline Project, A Joint Venture*

\* Counsel of Record

*Of Counsel:*  
PHILLIP AREEDA  
Langdell Hall  
Cambridge, Massachusetts 02138  
(617) 495-3160

November 30, 1987



## QUESTIONS PRESENTED \*

1. Whether, under *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972), an antitrust defendant necessarily enjoys *Noerr-Pennington* protection where one of twenty-one claims it sued upon to challenge a governmental license to a competitor was successful, even though it lacked standing to bring the successful claim, the unsuccessful claims themselves caused delays that impaired competition, a number of the claims had been intentionally obscured at the administrative level in the hope that relief would be denied there, occasioning further delay through judicial review, and the suit was one of more than a hundred baseless judicial and administrative challenges.

2. Whether, under *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972), antitrust defendants necessarily enjoy *Noerr-Pennington* protection for the baseless, unsuccessful, and intentionally delaying defense of sixty-nine lawsuits which their illegal boycott forced the antitrust plaintiff to bring and which were part of a campaign of more than a hundred baseless judicial and administrative challenges.

---

\* The third and fourth questions presented by petitioners are not involved in this proceeding, as we demonstrate *infra*.



**THE PARTIES BELOW**

A list of the Respondents-Plaintiffs below is contained in the Petition.

Pursuant to Rule 28.1, a statement reflecting respondents' corporate parents, subsidiaries (other than wholly owned subsidiaries) and affiliates has been lodged with the Court.

## TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED .....	i
THE PARTIES BELOW .....	ii
TABLE OF CONTENTS .....	iii
TABLE OF AUTHORITIES .....	v
COUNTER-STATEMENT OF THE CASE .....	1
1. The Decisions Below .....	2
2. The ETSI Project and Its Historical Setting---	4
3. The Express Crossing Boycott .....	4
4. The Window Litigation .....	6
5. ETSI's Governmental Permits and the <i>Andrews</i> Litigation .....	8
REASONS FOR DENYING THE PETITION .....	13
I. Summary of Reasons for Denying the Petition-	13
II. The Court of Appeals' Refusal to Enunciate Categorical Rules Concerning "Successful" Claims and the Defense of Litigation Is Correct and Consistent with the Decisions of this Court and the Lower Federal Courts .....	15
A. Invocation of Government Process to Delay and Impair Competition Rather than Gen- uinely to Obtain Governmental Relief Is a "Sham" Fully Subject to Antitrust Scr- utiny .....	10
B. Litigation, "Successful" in Some Sense, Can Be Sham, Particularly Where It Occurs As Part of a Pattern of Repetitive and Insub- stantial Claims .....	18

## TABLE OF CONTENTS—Continued

	Page
C. Defense of Litigation Can Be Sham, Especially Where, As Here, the Defendants Forced Plaintiff to Sue by Anticompetitive, Conspiratorial Conduct and Then Lost Sixty-Nine Straight Cases -----	23
III. The Fifth Circuit's Holding on Fomenting/Assisting Litigation Is Moot and, in Any Event, Should Not Be Reviewed on the Present Incomplete and Inconclusive Record -----	24
CONCLUSION -----	27

## TABLE OF AUTHORITIES

Cases:	Page
<i>Abercrombie v. Simmons</i> , 71 Kan. 538, 81 P. 208 (1905) .....	7
<i>Brunswick Corp. v. Riegel Textile Corp.</i> , 752 F.2d 261 (7th Cir. 1984), <i>cert. denied</i> , 472 U.S. 1018 (1985) .....	23
<i>California Motor Transport Co. v. Trucking Unlimited</i> , 404 U.S. 508 (1972) .....	<i>passim</i>
<i>Central Telecommunications, Inc. v. TCI Cablevision, Inc.</i> , 800 F.2d 711 (8th Cir. 1986), <i>cert. denied</i> , 107 S.Ct. 1358 (1987) .....	21
<i>Clipper Express v. Rocky Mountain Motor Tariff Bureau, Inc.</i> , 690 F.2d 1240 (9th Cir. 1982), <i>cert. denied</i> , 459 U.S. 1227 (1983) .....	22
<i>Coastal States Mktg., Inc. v. Hunt</i> , 694 F.2d 1358 (5th Cir. 1983) .....	17, 19
<i>Coca-Cola Co. v. Overland, Inc.</i> , 692 F.2d 1250 (9th Cir. 1982) .....	21
<i>Columbia Pictures Industries, Inc. v. Redd Horne, Inc.</i> , 749 F.2d 154 (3d Cir. 1984) .....	22
<i>Eastern Railroad Presidents' Conference v. Noerr Motor Freight, Inc.</i> , 365 U.S. 127 (1961) .....	<i>passim</i>
<i>Federal Prescription Service, Inc. v. American Pharmaceutical Ass'n</i> , 663 F.2d 253 (D.C. Cir. 1981), <i>cert. denied</i> , 455 U.S. 928 (1982) .....	21, 22
<i>Feminist Women's Health Center, Inc. v. Mohamad</i> , 586 F.2d 530 (5th Cir. 1978), <i>cert. denied</i> , 444 U.S. 924 (1979) .....	19
<i>First American Title Co. v. South Dakota Land Title Ass'n</i> , 714 F.2d 1439 (8th Cir. 1983), <i>cert. denied</i> , 464 U.S. 1042 (1984) .....	21
<i>Franchise Realty Interstate Corp. v. San Francisco Local Joint Exec. Bd. of Culinary Workers</i> , 542 F.2d 1076 (9th Cir. 1976), <i>cert. denied</i> , 430 U.S. 940 (1977) .....	21
<i>Frontier Enterprises, Inc. v. Amador Stage Lines, Inc.</i> , 624 F. Supp. 137 (E.D. Cal. 1985) .....	22
<i>Greenwood Utilities Comm'n v. Mississippi Power Co.</i> , 751 F.2d 1484 (5th Cir. 1985) .....	22

## TABLE OF AUTHORITIES—Continued

	Page
<i>Grip-Pak, Inc. v. Illinois Tool Works, Inc.</i> , 694 F.2d 466 (7th Cir. 1982), <i>cert. denied</i> , 461 U.S. 958 (1983) .....	— 17, 22
<i>Harvest Queen Mill &amp; Elevator Co. v. Sanders</i> , 189 Kan. 536, 370 P.2d 419 (1962) .....	7
<i>Hospital Bldg. Co. v. Trustees of Rex Hosp.</i> , 691 F.2d 678 (4th Cir. 1982), <i>cert. denied</i> , 464 U.S. 890 (1983) .....	17
<i>Hydro-Tech Corp. v. Sundstrand Corp.</i> , 673 F.2d 1171 (10th Cir. 1982) .....	22
<i>Litton Systems, Inc. v. AT&amp;T Co.</i> , 700 F.2d 785 (2d Cir. 1983), <i>cert. denied</i> , 464 U.S. 1073 (1984) .....	17
<i>Mid-Texas Communications Systems, Inc. v. AT&amp;T Co.</i> , 615 F.2d 1372 (5th Cir.), <i>cert. denied</i> , 449 U.S. 912 (1980) .....	21
<i>Missouri v. Andrews</i> , 586 F. Supp. 1268 (D. Neb. 1984), <i>aff'd</i> , 787 F.2d 270 (8th Cir. 1986), <i>cert. granted</i> , 107 S.Ct. 1346 (1987) .....	<i>passim</i>
<i>Otter Tail Power Co. v. United States</i> , 410 U.S. 366 (1973), <i>aff'd after remand</i> , 417 U.S. 901 (1974) .....	16, 19, 25
<i>St. Joseph's Hospital, Inc. v. Hospital Corp. of America</i> , 795 F.2d 948 (11th Cir. 1986) .....	21-22
<i>Trucking Unlimited v. California Motor Transport Co.</i> , 1967 Trade Cas. (CCH) ¶ 72,298 (N.D. Cal. 1967) .....	19
<i>Trucking Unlimited v. United Motor Transport Co.</i> , 432 F.2d 755 (9th Cir. 1970) .....	19
<i>Westmac, Inc. v. Smith</i> , 797 F.2d 313 (6th Cir. 1986), <i>cert. denied</i> , 107 S.Ct. 885 (1987) .....	21

*Articles and Treatises:*

P. Areeda & H. Hovenkamp, <i>Antitrust Law</i> (Supp. 1987) .....	18, 19, 21
-------------------------------------------------------------------	------------

IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1987

---

No. 87-705

---

UNION PACIFIC RAILROAD Co., *et al.*,  
v. *Petitioners*,  
ENERGY TRANSPORTATION SYSTEMS, INC., *et al.*,  
*Respondents*.

---

On Petition For a Writ of Certiorari to the United States  
Court of Appeals for the Fifth Circuit

---

**BRIEF OF RESPONDENTS  
ENERGY TRANSPORTATION SYSTEMS, INC.  
AND ETSI PIPELINE PROJECT,  
A JOINT VENTURE, IN OPPOSITION**

---

Respondents Energy Transportation Systems, Inc. and ETSI Pipeline Project, a Joint-Venture (ETSI), respectfully submit this Brief in Opposition to the Petition of the Union Pacific (UP) and other railroad companies to review the order of the United States Court of Appeals for the Fifth Circuit issued July 14, 1987 and reported at 822 F.2d 518. *See* Pet., App. A.

**COUNTER-STATEMENT OF THE CASE**

This case arises out of a discovery dispute between the parties in a pending antitrust case. The ETSI respondents (plaintiffs below) contend that the petitioner railroads (defendants below), afraid of losing coal transportation business to the proposed ETSI pipeline, conspired



to prevent the pipeline's construction. ETSI was joined as plaintiff below by two electric utilities that would have been served by the pipeline.<sup>1</sup>

### 1. *The Decisions Below.*

ETSI's complaint alleges that in order to delay or destroy ETSI as a competitor, the railroad petitioners mounted a campaign involving more than a hundred separate challenges to governmental and private approvals needed by ETSI. The purpose of these challenges, all but one of which was unsuccessful, was not a genuine desire to obtain the judicial relief sought, but rather to use the judicial and administrative processes to disrupt, delay, and ultimately destroy the ETSI project.<sup>2</sup>

Because the railroads' sham campaign was conceived and carried out by lawyers, most of the documents chronicling its implementation and effect have been withheld as privileged. ETSI moved to compel production of these privileged documents, alleging that they were prepared in furtherance of a crime or fraud—namely a vio-

---

<sup>1</sup> ETSI has settled with UP and Chicago and North Western, but the settlements expressly exclude the discovery issues here involved. One of the two utility plaintiffs, Arkansas Power & Light Co., has settled with all the railroad defendants.

<sup>2</sup> The railroads fully understood that delay was their ally in opposing ETSI. Delay caused uncertainty and doubt in the minds of ETSI's potential customers, while allowing the railroads to continue earning monopoly profits from coal transportation. Because the project was pursued during highly inflationary times, delay also increased capital and construction costs for the pipeline, thus pushing its rates up. As the start-up date for the pipeline was delayed past the time when potential customers' coal burning plants came on stream, those customers were forced to begin taking coal by rail, thus incurring substantial rail-related capital costs (for cars and unloading facilities) and exposing themselves to rail rate increases for the interim period before pipeline transportation could be commenced.

lation of the federal antitrust laws. The district court reviewed a voluminous record and concluded that ETSI had offered sufficient evidence of illegal activities to invoke the exception and overcome the *Noerr* protection. Pet., App. B.

On the railroads' petition for mandamus, the Fifth Circuit disagreed with parts of the district court's reasoning and directed it to vacate its order of production and reconsider the matter. Pet., App. A. The court of appeals did not hold that any petitioning conduct was sham or that it will give rise to treble damage liability. It merely eschewed the categorical rules pressed on it by the petitioners and authorized the district court to examine the facts to determine whether ETSI had made a *prima facie* showing that some or all of the defendants' petitioning activities constituted a sham. It is this opinion that is challenged by the railroads' petition for *certiorari*.<sup>3</sup>

That petition wholly ignores the basic issue in dispute—whether the railroads must produce a multitude of documents which are highly relevant to the sham issues. The petition also largely ignores the underlying facts, which highlight the errors of the categorical legal propositions it asks this Court to adopt. Accordingly, a more complete statement of the factual context is required.<sup>4</sup>

---

<sup>3</sup> On remand, applying the guidelines laid down by the court of appeals, and examining thousands of pages of exhibits, deposition testimony and briefs, the district court found "clear and convincing" evidence with respect to each of the railroads' petitioning activities that they lacked a genuine desire for judicial relief as a significant motivating factor and were intended to harm a competitor through the mere invocation and maintenance of the judicial process. The court again ordered production of the allegedly privileged materials. Pet., App. F. For a second time the railroads sought mandamus review in the Fifth Circuit, which was denied on November 3, 1987. No. 87-6115 (5th Cir.). That decision is not before this Court.

<sup>4</sup> The conduct summarized in the following pages is fully established by the documents and deposition testimony of record. However, the Court need not assume that these are the facts. It is only

## ***2. The ETSI Project and Its Historical Setting.***

The ETSI coal slurry pipeline project was conceived in 1973 to move inexpensive low-sulphur coal from the Powder River Basin of Wyoming to fuel utility boilers in Arkansas. The efficiency of pipeline transportation, and its relative immunity to inflationary cost increases (because a large proportion of its costs are fixed), prompted estimates that during its twenty-year life ETSI would save consumers \$14 billion over the cost of transporting coal by rail.<sup>5</sup>

Prospective competition from ETSI would break the stranglehold then (and still) held by the railroads over coal mined in the Powder River Basin. In 1973, virtually all such coal was moved out of the Basin in Burlington Northern (BN) unit trains which were ultimately passed to such destination carriers as Kansas City Southern (KCS), Missouri Pacific (MoPac), and Santa Fe. Other defendant railroads such as Chicago and North Western (CNW), and later UP, planned to establish rail service into the Basin. The enormous coal supplies in the Basin, their low mining cost and sulphur content, and the burgeoning demand for such coal by utilities in the south central portion of the United States combined to promise—and ultimately deliver—billions of dollars in railroad profits from hauling Powder River Basin coal. The railroads thus had an obvious incentive to block ETSI's entry.

## ***3. The Express Crossing Boycott.***

In order to build its pipeline from Wyoming to Arkansas, ETSI had to cross under dozens of railroad tracks. Permission for most pipelines to cross under an

---

necessary for the Court to see that the categorical rules demanded by petitioners would incorrectly immunize such conduct from anti-trust liability, whether in this case or in some subsequent case.

<sup>5</sup> Memorandum in Support of Plaintiffs' Second Motion to Compel Production of Documents (Crime-Fraud) (filed August 8, 1985) (hereafter "ETSI Crime-Fraud Mem."), Att. 1 & 2.

existing railroad track is granted routinely, quickly and cheaply, and is evidenced by a standardized document known as a "crossing permit." By early 1974 there were hundreds of oil, gas, and water pipelines crisscrossing the western United States, involving tens of thousands of crossing permits.

ETSI's initial approaches, to the BN and MoPac, produced the response usually accorded crossing pipelines: BN promised to grant crossings and even offered to assist ETSI in securing crossings from other railroads; MoPac granted the desired crossings.

However, ETSI's March 19, 1974 visit with the Frisco (later merged into BN) produced a different response. Frisco's President candidly told the ETSI representatives that he would need to consult with presidents of other railroads and arrive at an industry position before deciding whether or not to grant ETSI's crossings. ETSI Crime-Fraud Mem., Att. 21. Thereafter, by telephone and at a trade association meeting, the Frisco President had conversations with the presidents of BN, Santa Fe, UP, CNW, KCS and MoPac, as well as the now-bankrupt Rock Island. *Id.* Att. 25-27, 29.

Out of those conversations and numerous others grew a railroad boycott to deny crossings to ETSI. Pet., App. B at 49a. BN reversed its position and at a meeting in May 1974, entered into an explicit agreement with CNW, memorialized by memoranda on each side, that each road would oppose crossings for ETSI and inform each other if either road changed its position in that regard. *E.g.*, ETSI Crime-Fraud Mem., Att. 30. In early August 1974, the BN Chairman and UP's President affirmed their parallel agreement by exchanging blind carbon copies of their separate letters denying crossings to ETSI.<sup>6</sup> The

---

<sup>6</sup> ETSI Plaintiffs' Second Supplemental Memorandum in Support of its Second Motion to Compel Production of Documents (Crime-Fraud) (filed July 9, 1986) (hereafter "ETSI Second Supp."), Att. 287, 288.

CNW President sent a blind copy of his letter denying ETSI crossing rights to BN's President, evidencing CNW's implementation of the May agreement. ETSI Crime-Fraud Mem., Att. 34. In early August, officials of both KCS and Santa Fe conferred with each other and with other railroads before deciding how to respond to ETSI's crossing requests.<sup>7</sup>

During the remainder of 1974, all of 1975, and well into 1976, the railroad boycott was maintained intact through frequent contacts by marketing representatives and attorneys. For example, in early 1975 UP's general attorney in Kansas reminded attorneys for the Santa Fe, MoPac,<sup>8</sup> Rock Island, Frisco, and M-K-T:

"It might not be a bad idea for all the general attorneys to check their own particular companies to find out if inadvertently one portion of the companies might be working out a license by which the pipeline would cross the right-of-way of the various railroads." ETSI Crime-Fraud Mem., Att. 39.

#### **4. *The Window Litigation.***

By mid-1976 ETSI determined that there were gaps or "windows" in the railroad rights-of-way at which the railroads did not own their rights-of-way in fee but held instead only an easement interest. To break the railroad boycott, ETSI therefore purchased crossing rights at such locations from the abutting fee owners. Still, the railroads would not grant crossing permits, even at the easement locations, and (as Covington & Burling recognized in a December 1981 opinion for their railroad clients) "forced [ETSI] to litigate in an effort to obtain rights-

<sup>7</sup> Reply Memorandum in Support of Plaintiffs' Second Motion to Compel Production of Documents (Crime-Fraud) (filed November 18, 1985) (hereafter "ETSI Reply Mem."), Att. 220; *see also* ETSI Crime-Fraud Mem., Att. 32, 33.

<sup>8</sup> MoPac, which had initially granted crossings, refused to renew those permits in 1976.

of-way over-railroad land." ETSI Crime-Fraud Mem., Att. 61; *accord* Pet. App. B at 37a, 48a.

A few days after the initial ETSI window suits were filed, lawyers for the railroads met to plan "strategy and tactics" for joint defense of those cases. ETSI Crime-Fraud Mem., Att. 49. They "agreed" that, although their defenses in most of the cases were "untenable,"<sup>9</sup> "it would be to our advantage to pursue discovery procedures, with the hope of developing facts that might be helpful in other arenas, such as the legislative eminent domain fight." ETSI Reply Mem., Att. 201.

The railroads' own attorneys at Covington & Burling reported in December 1981 that "the railroads have been entirely unsuccessful in numerous [window] lawsuits brought by ETSI," and observed that "ETSI's long series of victories" would support a characterization that "the railroads' unsuccessful defenses of their lawsuits were . . . baseless." ETSI Crime-Fraud Mem., Att. 61.

In all, sixty-nine window suits were filed and won by ETSI during a five and one-half year period from July 1976 through December 31, 1981. Although the suits involving MoPac were routinely disposed of on the basis of agreed judgments, even those suits would have been unnecessary but for pressure from other railroads which led MoPac to feel, according to its Vice President-Law, an obligation to require ETSI to file lawsuits. Chambers Dep. Exh. 36. Many of the window suits were intentionally strung out by the railroads for the express purpose of delaying the ETSI project. For example, KCS, knowing its position was baseless, defended its Oklahoma

---

<sup>9</sup> Indeed, in Kansas, a longstanding decision of the Kansas Supreme Court specifically held that railroads could not own right-of-way in fee, making it absolutely clear that the railroads could have no possible meritorious defense to ETSI's window suits there. *Abercrombie v. Simmons*, 71 Kan. 538, 81 P. 208 (1905); *see also* *Harvest Queen Mill & Elevator Co. v. Sanders*, 189 Kan. 536, 370 P.2d 419 (1962).



cases all the way to the Supreme Court of that state, postponing the "inevitable quieting of title in [ETSI]," ETSI Crime-Fraud Mem., Att. 46, for four and one-half years. A KCS document, now withheld as privileged but produced in response to court order in another case, explains that KCS's policy in defending ETSI's window lawsuits was to "delay every way we can."<sup>10</sup>

##### **5. *ETSI's Governmental Permits and the Andrews Litigation.***

On April 10, 1979, with the right-of-way boycott crumbling in the face of ETSI's window litigation,<sup>11</sup> the railroad petitioners met in Chicago to map a new strategy against ETSI and elected KCS to "spearhead" the new phase of the campaign. ETSI Crime-Fraud Mem., Att. 6. The railroads knew ETSI's proposed pipeline could not be built without first obtaining numerous governmental permits, including permits from the Bureau of Land Management (BLM) and the U.S. Forest Service (USFS), to cross federal lands. Before BLM and USFS could grant the needed permits, the federal government was required by the National Environmental Policy Act (NEPA) to consider the impact of the proposed pipeline on the environment and to issue an environmental impact statement (EIS). The centerpiece of the railroads' new strategy was, therefore, intense and concerted opposition to the development and approval of the EIS. The object of the new strategy was explained by a railroad lawyer in June of 1979: to "mak[e] the environmental evaluation as difficult as possible" and "[h]opefully . . . bog

---

<sup>10</sup> Memorandum Brief in Support of ETSI's Renewed Motion to Compel Production of Documents (Crime-Fraud) (filed August 13, 1987) (hereafter "ETSI Renewed Crime-Fraud"), Att. 5.

<sup>11</sup> Though ETSI had won enough window cases by mid-1979 to prove that the railroads' right-of-way boycott was not an insurmountable obstacle to the pipeline, the boycott continued to cause substantial delay until the project's termination in 1984.

down the study with numerous statistical studies . . . ." ETSI Reply Mem., Att. 202.

In July 1979, the BN retained an expert to mastermind the railroads' opposition to ETSI's proposals to use Wyoming water as a transport medium for its slurry mixture. In August 1979, a year before BLM issued even a draft EIS, the railroads' "Ad Hoc Committee" to implement its anti-ETSI strategy met again and agreed that the not-yet existent EIS "need[s] to be challenged." *Id.*, Att. 244. The litigation that embodied that challenge, filed three years later in August 1982, became known as the "*Andrews case*." <sup>12</sup>

During 1981 the new railroad campaign against ETSI was expanded and intensified. KCS hired the Washington law firm of Brown & Roady to oppose virtually all of ETSI's governmental permits, not merely those for which an EIS was required.<sup>13</sup> In a blitzkrieg of opposition over the next two years, the railroads entered appearances, sought hearings, and filed unsuccessful oppositions to more than thirty air and water quality, siting, and other governmental permits required by ETSI. These administrative challenges involved the assertion, indiscriminately and without regard to merit, of literally hundreds of claims. Not a single one of the claims the railroads brought in administrative forums was successful; these baseless claims were intended solely to obstruct and delay

---

<sup>12</sup> See *Missouri v. Andrews*, 586 F. Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, 107 S.Ct. 1346 (1987).

<sup>13</sup> Though Brown & Roady was nominally representing only KCS, that railroad was the "spear-carrier" and, in effect, elected representative of all the defendant railroads. As the district court specifically found on remand: "[p]rima facie evidence connecting each defendant with an effort to delay the administrative process justifies the invocation of the crime-fraud exception with respect to all of the railroad defendants." Pet., App. F at 93a.

the ETSI project.<sup>14</sup> In a conclusion that is not challenged by the railroads, the district court specifically found that these petitioning activities "in connection with administrative hearings regarding permits sought by ETSI were sham." Pet., App. F at 93a-94a. With the window suits, the administrative challenges brought to more than one hundred the number of separate proceedings in which the railroads had unsuccessfully opposed ETSI.

Some of the sham administrative oppositions were a predicate for the *Andrews* litigation. Thus, when the final ETSI EIS was issued by BLM in July of 1981, Brown & Roady prepared and filed a set of comments. In a letter transmitting those comments to several railroads, Brown & Roady explained their strategy of using the administrative process and the federal court to delay the ETSI project by deliberately contriving to lose claims before the BLM, thereby preserving a judicial remedy and enhancing the opportunity for delay:

"We have attempted in this draft to develop a catalog of problems and issues not adequately covered in the Final EIS. We have attempted to make the list as extensive as possible, so as to protect KCS from any 'exhaustion of remedies' problems for failure to raise issues in the administrative process. *We have emphasized a listing and brief discussion of problems and have avoided detailed discussion. We are concerned that if KCS spells out its arguments in too much detail at this stage, they could be simply addressed in a Supplemental EIS, thus limiting the remedies that subsequently could be pursued.* The aim of the draft, therefore, is to suggest to the Interior Department that there are numerous problems not addressed in the Final EIS, *without revealing detailed supporting arguments. Our own files,*

---

<sup>14</sup> For example, an administrative proceeding in Oklahoma was referred to as "afford[ing] the railroad industry an opportunity to further delay pipeline construction." ETSI Renewed Crime-Fraud, Att. 6.

*however, contain a more detailed and precise analysis of the deficiencies of the EIS to be used in any subsequent litigation.*" ETSI Crime-Fraud Mem., Att. 67 (emphasis added).

The "subsequent litigation" for which the draft comments on ETSI's EIS were a prelude was the *Andrews* litigation, filed in August 1982. Knowing the railroads lacked standing to assert many of the environmental and water claims they planned to assert, Brown & Roady solicited states, Indian organizations, and environmental, agricultural, and conservation groups to form a "coalition of parties" so that the suit would "have a maximum effect." ETSI Renewed Crime-Fraud, Att. 12. Eventually the firm assembled a group of environmental and farm groups, all of whom were assisted or represented by counsel paid for by the railroads. The railroads also persuaded three states—Missouri, Iowa, and Nebraska—to bring a similar suit against the federal government. Unbeknownst to the *Andrews* court, petitioner Union Pacific paid its Washington attorneys, Covington & Burling, to ghostwrite the briefs and pleadings for the state of Nebraska. When they learned of UP's role, Nebraska's co-plaintiffs, Iowa and Missouri, specifically disavowed and disapproved of Nebraska's conduct. See ETSI Reply Mem. at 98-99.

KCS's top executives recognized that the *Andrews* case "may achieve delay and nothing more." ETSI Renewed Crime-Fraud, Att. 10. The complaint was designed for that purpose, alleging twenty-one separate causes of action.<sup>15</sup> Only one—the highly technical allegation that

---

<sup>15</sup> The complaint alleged injury resulting from violations of the Commerce Clause of the Constitution, the Flood Control Act of 1944, the Water Supply Act of 1958, the National Environmental Policy Act of 1969, the Reclamation Project Act of 1939, Section 10 of the Rivers and Harbors Act of 1899, the Fish and Wildlife Coordination Act, the Resource Conservation and Recovery Act, the Clean Water Act of 1977, and the Administrative Procedure Act.

the proper agency to approve ETSI's purchase of water from the Oahe Reservoir on the upper Missouri River in South Dakota was not the Bureau of Reclamation (BOR) but the Army Corps of Engineers (COE)—was accepted in the court's April 1984 ruling.<sup>16</sup> Most of the other twenty claims were baseless, and the railroads clearly lacked standing to bring many of them. *Id.*, Att. I-A & I-B. Among the baseless claims on which the railroads lacked standing were four counts (12-15) embodying the claims relating to the EIS, on which the railroad comments had hidden the ball from BLM. Much of the twenty months between filing and judgment was consumed in discovery and preliminary motions concerning the unsuccessful claims, especially those relating to the EIS.

The April 1984 summary judgment was granted only for the State plaintiffs. The court overruled the motion of the sole railroad plaintiff for a similar judgment, expressing doubts about KCS's standing to bring the claim questioning which federal agency had the authority to execute ETSI's Oahe water contract.<sup>17</sup> The trial court judgment was thereafter affirmed by the Eighth Circuit; *certiorari* was granted, and the case was argued before this Court on November 3, 1987. It is the success of the State plaintiffs on this one claim in a suit involving numerous fraudulent and baseless claims that, petitioners assert, immunizes all their conduct, no matter how egregious and unjustified, with respect to the *Andrews* litigation.

---

<sup>16</sup> Since the railroads knew that COE favored the ETSI project and would have approved ETSI's water purchase, the purpose of asserting even that claim can only have been to delay the inevitable approval of ETSI's water purchase.

<sup>17</sup> ETSI Plaintiffs' Merits Brief in Opposition to Defendants' Motion for Partial Summary Judgment (filed July 9, 1986) (hereafter "ETSI *Andrews* Brief"), Att. 5.

## REASONS FOR DENYING THE PETITION

The instant case presents no issue worthy of consideration by this Court upon *certiorari*. Not only are the categorical definitions of a non-immune sham demanded by petitioners unsound, but the procedural posture of the present case makes it an inappropriate vehicle for considering (and rejecting) them. Even if the Fifth Circuit's refusals to adopt general and abstract propositions that would govern this and future cases were wrong (which they were not), this Court's consideration should be deferred until it can be informed by a full record after trial, revealing more fully the parameters and context of the petitioners' misbehavior.

### I. Summary of Reasons for Denying the Petition.

The railroads ask this Court to adopt a rule that "success" in litigation absolves everything they did in connection with the *Andrews* case. However, they ignore their *lack* of success on twenty of the twenty-one claims they mounted in that litigation. More fundamentally, they ignore the rationale for making "success" relevant at all. Success is relevant in the usual case—such as a monopolist patentee successfully showing that a new entrant has infringed his patent—because it shows that it was reasonable for the patentee to invoke governmental process, even though the infringer and competitive rivalry were thereby intentionally impaired. Obviously, however, the holding of the *Andrews* case does not mean that it was reasonable for petitioners (1) to suppose they had standing to sue at all, (2) to delay the proceedings with twenty baseless claims, or (3) intentionally to conduct the proceedings in such a way as to *avoid* obtaining at the administrative level the very relief they now say they genuinely sought from the *Andrews* court. Because of the court's refusal to find standing for KCS, the railroads cannot even say that *they* prevailed on any claim at all. And apart from the technical division of authority between the Engineers and the Bureau of



Reclamation, not one of the hundreds of claims made by petitioners was successful in their ten-year campaign to boycott, delay, and kill ETSI.

Petitioners also ask this Court to rule that defending lawsuits can never be a sham, even when (1) defendants forced ETSI to file those suits to secure crossings that the railroads routinely granted to others but denied to ETSI through an illegal boycott, (2) they then answered each of the suits, knowing their defenses were untenable, and sought discovery for use "in other arenas," all with the stated intention to "delay every way we can," and (3) they lost sixty-nine straight decisions.

Thirdly, petitioners seek a rule that one who foments and involves himself in a suit by a third party enjoys *Noerr* protection to the same extent as that third party even if the fomenter has no reasonable grounds for believing that he has standing to bring or participate in such a suit. If UP's own suit would have been an unprotected anticompetitive act because the railroad knew it lacked standing, the Fifth Circuit was justifiably reluctant to allow UP to delay competition by persuading others to initiate the *Andrews* litigation and then stage-managing the conduct of that suit. UP subsequently claimed in the district court, however, that it would have had standing to participate directly in the *Andrews* litigation. ETSI conceded that claim, thereby mooted the Fifth Circuit's ruling. Without a full record disclosing the facts, this Court lacks a realistic context in which to consider the proper contours of *Noerr* immunity for those who involve themselves in the litigation of others solely for the purpose of delaying and thereby preventing competition.

The fourth question which the petitioners put to the Court is simply not presented by the case and reflects a misreading of the Fifth Circuit's opinion—a misreading that pervades the entire petition. The petition pre-

tends that the court of appeals abrogated First Amendment rights "without consideration of the reasonableness of the litigant's legal position and conduct in the proceedings challenged as sham." The Fifth Circuit did no such thing. Not only did that court protect all reasonable conduct, it expressly held that reasonableness would ordinarily be judged by objective standards—standards that *all* of the challenged conduct of the defendants failed. What the Fifth Circuit correctly refused to do was to adopt a narrow test of "success" that would, in the circumstances of this case, immunize conduct that was fully and clearly reprehensible.

**II. The Court of Appeals' Refusal to Enunciate Categorical Rules Concerning "Successful" Claims and the Defense of Litigation is Correct and Consistent with the Decisions of this Court and the Lower Federal Courts.**

**A. Invocation of Government Process to Delay and Impair Competition Rather than Genuinely to Obtain Governmental Relief Is a "Sham" Fully Subject to Antitrust Scrutiny.**

In *Eastern Railroad Presidents' Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 144 (1961), this Court held that a private conspiracy, however anticompetitively motivated, does not violate the antitrust laws by petitioning a government body to restrain competition. That ruling is clearest where, as in *Noerr*, the adverse impact on competition results from the government's sovereign decision. Of course, competition may be adversely affected not by a legislative or judicial decision itself but by the process of seeking it. In *Noerr*, for example, the plaintiff truckers (and competition) were injured not only by a state's anti-truck legislation for which the defendant railroads had lobbied but also directly by the railroads' publicity campaign, which prejudiced buyers of transportation services against trucking. Nevertheless,

this Court immunized the publicity campaign because it was part of a genuine effort by the railroads to obtain legislation. At the same time, the Court made clear that the joint publicity campaign would be fully subject to the antitrust laws if, though "ostensibly directed toward influencing governmental action, [it] is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor." *Id.* at 144.

Similarly judged is participation before administrative agencies and courts. A limitation of competition by the agency or court is not attributed to the party seeking that relief. Even if the agency or court rejects that litigant's claim, the accompanying cost, delay, and other burdens on rivals and competition are not antitrust concerns if, but only if, they result from a reasonable effort to obtain relief from the government. This Court so ruled in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972). There, trucking firms allegedly agreed to oppose, without regard to the merits, each new entrant's application for a license to engage in the trucking business—opposition which delayed entry or made it more costly. Rejecting the truckers' claim of *Noerr-Pennington* immunity, the Court unanimously held that such a pattern of opposition was a "sham" because it was "instituted . . . regardless of the merits of the cases" and was not a genuine effort to obtain favorable government action. *Id.* at 512; accord *Otter Tail Power Co. v. United States*, 410 U.S. 366, 380 (1973) (unjustified lawsuit brought with a "purpose . . . to suppress competition" is sham), *aff'd after remand*, 417 U.S. 901 (1974).

Of course, the "sham" is not easy to identify; by its very nature, it is a subterfuge that attempts to cast a gauzy cloak of legitimate petitioning over conduct that burdens competition notwithstanding the litigant's indifference to the judicial relief apparently sought by the petitioning. Following this Court's guidance, the court

of appeals here, Pet., App. A at 15a-20a, and other courts have repeatedly recognized that litigation is a sham when a litigant is not "genuinely . . . attempting to influence governmental decisionmaking," *id.* at 16a, citing *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983). A sham occurs if claims are asserted "not to influence the government and obtain relief, but rather to harm a competitor through the mere invocation and maintenance of the process . . . ." Pet., App. A at 16a.<sup>18</sup>

Petitioners cannot quarrel with these concepts. Rather, they seek to eviscerate the concepts by insisting upon rigid, categorical rules of application:

1. Petitioners insist upon categorical immunity for all their activities in *Andrews* because one of their twenty-one scattershot claims turned out to be successful in the hands of other parties. They would thus have the Court ignore both the fraudulence of their conduct in the underlying administrative proceeding and the baselessness of their twenty unsuccessful claims in court which, though never ruled upon, were made intentionally to delay the outcome of the project, raise its costs, create uncertainty about its prospects among potential customers who turned elsewhere, and kill competition.
2. Although petitioners thus demand a very narrow "success" test to immunize even the most egregious conduct in *Andrews*, they would then have the Court ignore the objective baselessness of

---

<sup>18</sup> See also *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 472 (7th Cir. 1982) (purpose to harass and deter by the process itself), *cert. denied*, 461 U.S. 958 (1983); *Litton Systems, Inc. v. AT&T Co.*, 700 F.2d 785, 810 (2d Cir. 1983) (the "heart of the sham exception [is] invoking the process . . . for the injury that the process alone will work upon competitors"), *cert. denied*, 464 U.S. 1073 (1984); *Hospital Bldg. Co. v. Trustees of Rex Hosp.*, 691 F.2d 678, 687 (4th Cir. 1982) (sham where appeal intended to delay approval of necessary certificate and delay competitor's entry into market), *cert. denied*, 464 U.S. 890, 904 (1983).

sixty-nine successive defeats in the window litigation. No matter, they say, how unjustifiable the five and one-half years of delay they thereby imposed upon ETSI, any misconduct is automatically immune from the antitrust laws because they were defendants in those suits.

As we show in the sections below, neither rule is worthy of this Court's consideration.

**B. Litigation, "Successful" in Some Sense, Can Be Sham, Particularly Where It Occurs As Part of a Pattern of Repetitive and Insubstantial Claims.**

The petitioners err in asserting that any "success" always negates the existence of a sham, that the Fifth Circuit would allow reasonable conduct to be considered a sham, and that the circuits are in conflict over "subjective" versus "objective" tests of sham.

1. The fundamental error made throughout the petition is its premise that "success" is a simple and uniform characteristic, which provides a bright-line test governing all situations and providing talismanic protection, no matter how limited or peculiar the success. There are many kinds of success. The patent or copyright holder who succeeds in proving an infringement probably had reasonable cause to initiate those suits. See P. Areeda & H. Hovenkamp, *Antitrust Law* ¶ 203.1(c)-(d) (Supp. 1987). But the success enjoyed by the petitioners here was limited indeed. *Andrews* was but one proceeding in a ten-year campaign involving more than a hundred unsuccessful proceedings against ETSI; the successful claim (on which the sole railroad plaintiff was found not to have standing) was accompanied by twenty other baseless and delaying claims; and the lawsuit was preceded by an administrative proceeding in which the railroads purposefully hid the ball to avoid attaining administrative relief that would have mooted their lawsuit and prevented them from achieving the delay they sought. See pp. 9-12, *supra*.

Indeed, the parallel to this Court's *California Motor* decision is striking. There one group of truckers alleged that a competing group of truckers conspired to exclude plaintiffs from the market by means of a "consistent, systematic and uninterrupted program" of opposing, "with or without probable cause and regardless of the merits," every application for certification by plaintiffs to operate as a motor carrier. 404 U.S. at 518 (Stewart, J., concurring). The district court declined to find a sham because twenty-one out of forty proceedings had "resulted in action favorable to the defendants." *Trucking Unlimited v. California Motor Transport Co.*, 1967 Trade Cas. (CCH) ¶ 72,298, at 84,744 (N.D. Cal. 1967). The Ninth Circuit reversed, because the defendants' conspiracy systematically to oppose every application regardless of the merits was intended to injure competition "directly," independently of the "incidental" and "indirect" impact on competition of an occasional success. *Trucking Unlimited v. United Motor Transport Co.*, 432 F.2d 755, 763 (9th Cir. 1970).

This Court affirmed, holding that a "massive, concerted, and purposeful" program of opposing rival applications "with or without probable cause" would be a sham. 404 U.S. at 512, 515. That some of the defendant's challenges had been successful ("with . . . cause") did not absolve "a pattern of baseless, repetitive claims" that "leads the fact finder to conclude that the administrative and judicial processes have been abused." *Id.* at 513.<sup>19</sup>

---

<sup>19</sup> See also *Otter Tail Power Co. v. United States*, 410 U.S. at 380 (the sham exception applies "where the purpose to suppress competition is evidenced by repetitive lawsuits carrying the hallmark of insubstantial claims"); *Feminist Women's Health Center, Inc. v. Mohammad*, 586 F.2d 530, 543 n.6 (5th Cir. 1978) ("showing a pattern of repetitive, baseless claims is strong evidence of sham petitioning"), *cert. denied*, 444 U.S. 924 (1979); *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d at 1369 n.37 ("[t]he number of lawsuits filed without success is itself circumstantial evidence of sham"); accord *Areeda*, *supra*, ¶ 203.1(e) at 23.



The Court thus made clear that an occasional success, in a scattershot of claims and proceedings brought without regard to the probability of success, does not categorically establish legitimacy and immunize the conduct.

The Fifth Circuit was therefore entirely correct in refusing to exonerate all conduct related to the *Andrews* litigation on the basis of the petitioners' limited and peculiar success.

2. Petitioners misrepresent the Fifth Circuit's opinion as allowing *Noerr* and First Amendment rights to be "abrogated without consideration of the reasonableness of the litigant's legal position and conduct in the proceedings challenged as sham." Pet. at i; *see also id.* at 20. In fact, that court made the reasonableness of the petitioners' administrative and legal challenges determinative. Repeatedly, it defined a sham as action with "no reasonable expectation of judicial relief" or "no reasonable basis for party standing," noting that "a complete lack of reasonableness necessarily must deprive a person of protection." *E.g.*, Pet., App. A at 19a, 29a-30a.

Moreover, the court accorded great weight to objective success in determining reasonableness. Thus the court held that success, demonstrating objective reasonableness, is "forceful evidence that the petitioner did in fact wish to influence the governmental decision and obtain the relief prayed for." *Id.* at 15a. What the court refused to do was to "lay down a categorical rule that successful petitioning can never be sham," *id.*, because "we cannot say that important cases will not exist in which the evidence establishes that, despite having a meritorious claim, a party was motivated not by a desire to obtain relief but to harass and interfere with the activities of a competitor through the process itself," *id.* at 18a.

3. Petitioners' assertion of a conflict among the lower courts on the application of a "subjective" versus an "objective" test is enormously overdrawn. Most courts

do not distinguish such standards or even discuss them. Although they generally agree that the sham determination is a factual one,<sup>20</sup> and also agree that the party who wins a suit may well have had probable cause to bring it,<sup>21</sup> most cases in all the circuits have defined the "sham" concept in terms similar to those used below<sup>22</sup> or have

---

<sup>20</sup> See, e.g., *Areeda, supra*, ¶ 203.1(a) at 16 & n.17 (and cases cited therein).

<sup>21</sup> See, e.g., *Franchise Realty Interstate Corp. v. San Francisco Local Joint Exec. Bd. of Culinary Workers*, 542 F.2d 1076, 1079 (9th Cir. 1976) ("particularly hard" to accept characterization as baseless or frivolous where defendant succeeded in three proceedings involving zoning variances), *cert. denied*, 430 U.S. 940 (1977); *Mid-Texas Communications Systems, Inc. v. AT&T Co.*, 615 F.2d 1372, 1383 (5th Cir.) (dictum: success in challenged litigation would make inference of sham "difficult"), *cert. denied*, 449 U.S. 912 (1980); *First American Title Co. v. South Dakota Land Title Ass'n*, 714 F.2d 1439, 1448 (8th Cir. 1983) (court found a "genuine interest" in judicial relief), *cert. denied*, 464 U.S. 1042 (1984); *Federal Prescription Service, Inc. v. American Pharmaceutical Ass'n*, 663 F.2d 253, 265 (D.C. Cir. 1981) (success is evidence of defendant's genuineness), *cert. denied*, 455 U.S. 928 (1982); *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1257 (9th Cir. 1982) (success treated as "probative evidence" that litigation not sham; dictum questions whether meritorious suits can be sham).

<sup>22</sup> Petitioners assert that six circuits have adopted an "objective" test for sham—namely the Third, Sixth, Eighth, Tenth, Eleventh and District of Columbia Circuits. In fact, each of those courts has focused on whether the allegedly sham claims were genuine attempts to influence governmental decision making, or mere attempts to harm competitors directly by the act of petitioning. See, e.g., *Central Telecommunications, Inc. v. TCI Cablevision, Inc.*, 800 F.2d 711, 725 (8th Cir. 1986) ("the essence of the 'sham' exception" involves a determination whether "defendant's petitioning activities [were] genuine attempts to influence government action, or . . . designed to directly interfere with the business relationships of a competitor"), *cert. denied*, 107 S.Ct. 1358 (1987); *Westmac, Inc. v. Smith*, 797 F.2d 313, 317 (6th Cir. 1986) ("intent is relevant when a party allegedly filed a suit without concern for obtaining a favorable judgment, but only directly to harm a competitor"), *cert. denied*, 107 S.Ct. 885 (1987); *St. Joseph's Hospital*,

more explicitly reserved the possibility that a successful suit could be a sham in appropriate circumstances.<sup>23</sup> None of the circuits has even remotely suggested that a random success in a scattershot of rejected or baseless challenges immunizes unreasonable conduct from the antitrust laws. Certainly, no court has hinted that *Noerr* protects conspirators who expressed the intention to hide their objections from an administrative agency in order to lose, while saving those objections for later judicial

---

*Inc. v. Hospital Corp. of America*, 795 F.2d 948, 955 (11th Cir. 1986) (defendant's activities not sham where plaintiff failed to allege that defendant's purpose, although anticompetitive, was "anything more than [to] use the adjudicatory process to obtain a favorable outcome"); *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 161 (3d Cir. 1984) ("good faith attempt to enforce a copyright does not violate antitrust laws"; sham exception applies when "resort to the courts is in bad faith"); *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171, 1175 (10th Cir. 1982) (sham exception applies if "defendant is not seeking official action by a governmental body, so that the activities complained of are 'nothing more' than an attempt to interfere with the business relationships of a competitor"); *Federal Prescription Service, Inc. v. American Pharmaceutical Ass'n*, 663 F.2d at 268 (defendant's activities not sham where they were "genuine and legitimate attempts to secure governmental action").

<sup>23</sup> See, e.g., *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d at 471-72 (assertion of "colorable" claims unlawful where purpose of litigation is "not to win a favorable judgment against a competitor but to harass him, and deter others, by the process itself—regardless of outcome—of litigating"); *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240, 1254 (9th Cir. 1982) (ultimate "success or failure of the [antitrust defendants' claims] is not singularly determinative of a party's intent"), *cert. denied*, 459 U.S. 1227 (1983); *Greenwood Utilities Comm'n v. Mississippi Power Co.*, 751 F.2d 1484, 1500 (5th Cir. 1985) (recognizing such extraordinary circumstances as conspiracy with the deciding government official would render successful litigation a sham); *Frontier Enterprises, Inc. v. Amador Stage Lines, Inc.*, 624 F. Supp. 137, 145 (E.D. Cal. 1985) (partially successful litigation can still be sham if "purpose" not to win a favorable judgment but "simply to harass" competitor by process of litigating).

review in order to string out the process and impair competition.

**C. Defense of Litigation Can Be Sham, Especially Where, As Here, the Defendants Forced Plaintiff to Sue by Anticompetitive, Conspiratorial Conduct and Then Lost Sixty-Nine Straight Cases.**

Attempting to justify the categorical rule they propose, petitioners paint themselves as innocent parties who are slapped with window lawsuits and then opened to anti-trust condemnation for defending themselves. Covington & Burling, the railroads' lead law firm in this Court, was not misled on that score in 1981 when it opined that "ETSI's long series of victories" in the window cases would support a characterization that "the railroads' unsuccessful defenses of their lawsuits were . . . baseless" and therefore sham. ETSI Crime-Fraud Mem., Att. 61. The reasons for Covington's 1981 conclusion are apparent from the facts: (1) ETSI was "forced to litigate"; (2) the railroad defenses were "untenable"; (3) the railroads were "entirely unsuccessful" in sixty-nine straight cases; (4) they pursued discovery for use "in other arenas"; and (5) with an acknowledged purpose to "delay every way we can," the railroads' window opposition delayed the ETSI project for five and one-half years, thus enormously increasing its cost and the uncertainty of its potential customers and substantially contributing to its demise. See pp. 6-8, *supra*.

As the Fifth Circuit noted, there is no conflict between its holding and the Seventh Circuit's holding in *Brunswick Corp. v. Riegel Textile Corp.*, 752 F.2d 261, 272 (7th Cir. 1984), *cert. denied*, 472 U.S. 1018 (1985), that one "cannot start a suit . . . and then sue the defendant for refusing to default." See Pet., App. A at 27a. The facts summarized above amply distinguish the railroads' defense of the window litigation from the facts in *Brunswick* and fully justify the Court's refusal to adopt a *per se* rule that defense of litigation can never be sham.

### III. The Fifth Circuit's Holding on Fomenting/Assisting Litigation Is Moot and, in Any Event, Should Not Be Reviewed on the Present Incomplete and Inconclusive Record.

1. The Fifth Circuit opined that it would be "an unwarranted extension" of *Noerr* to hold that a party "without an interest in a case sufficient to allow it to directly petition the court may nonetheless indirectly seek its anti-competitive goals through encouraging and assisting the lawsuits of others." Pet., App. A at 24a. Its opinion on Union Pacific's fomenting/assisting in *Andrews*, Pet., App. A at 23a-26a thus addressed only the situation of a railroad that "had no reasonable claims of standing to participate in *Andrews*," *id.* at 24a n.11.<sup>24</sup>

On remand, UP asserted—and respondents have conceded—that UP *would have had standing* to bring, in its own name, the causes of action asserted by the state of Nebraska in the *Andrews* case. See Pet. at 16 n.15. Thus, the Fifth Circuit's holdings on the fomenting/assisting issue are entirely moot and of no consequence to this case.

To be sure, the district court's October 2, 1987 order did find that UP's participation in the *Andrews* lawsuit was sham. Pet., App. F at 92a-93a. However, the basis for that holding was not that UP lacked standing, for the court explicitly declined to make any finding on that issue. *Id.* at 92a. Rather, the district judge found that UP lacked "a genuine desire for judicial relief as a significant motivating factor," and intended "to harm a competitor through the mere invocation and maintenance of the judicial process." *Id.* at 90a-91a. In other words, the district court's sham holding with respect to UP did

---

<sup>24</sup> If UP had a reasonable claim of standing in *Andrews*, "the mere fact that Union Pacific did not actually formally join the litigation does *not* deprive it of protection." Pet., App. A at 24a n.11 (emphasis added).



not rest on anything the Fifth Circuit said about fomenting/assisting.<sup>25</sup>

2. It is beyond reasonable dispute that even a party having standing may be liable for treble damages if he initiates litigation without a genuine desire for judicial relief as a significant motivating factor. As this Court has recognized, imposing liability in order to discourage sham litigation by one lacking a legitimate interest in judicial relief would be pointless if such a party could freely foment, fund, and control litigation by another to the same anticompetitive end. *See Otter Tail Power Co. v. United States*, 410 U.S. at 372, 379-80 (litigation "instituted or sponsored" by an antitrust defendant can be sham).<sup>26</sup> ETSI has contended that UP instigated or enabled Nebraska to bring the *Andrews* suit and then funded and controlled that litigation without any genuine desire for judicial relief as a significant motivating fac-

---

<sup>25</sup> In any event, ETSI is entitled to UP's *Andrews* documents whether or not UP was itself guilty of sham, for it clearly conspired with another sham participant in that suit. The district court has held that ETSI has made a *prima facie* showing that there was a conspiracy among the defendant railroads to conduct a sham litigation campaign against ETSI. Pet., App. B at 48a-51a ("[t]he *prima facie* evidence also shows that the defendant railroads engaged in a coordinated effort which was calculated to delay and frustrate ETSI's efforts by any means, including petitioning the courts"; "the conduct of the defendants in their defense of the window suits, the *Andrews* litigation, and the permitting process were a part of and in furtherance of this conspiracy"); *see also* Pet., App. F at 88a-91a. Having demonstrated the existence of a conspiracy which included KCS's sham petitioning in *Andrews*, and the participation of UP in that conspiracy, ETSI is entitled to the documents generated by, or exchanged with, UP's attorneys in the furtherance of that conspiracy, whether or not UP's assistance to the state of Nebraska was itself sham.

<sup>26</sup> The railroads' reliance on cases immunizing reports of law violations to the police, *see* Pet. at 16-18, is wholly misplaced. The complaining party in those cases (*e.g.*, IBM) had an entirely legitimate personal interest in the enforcement of law (against theft) designed to protect its own legal interests.



tor. The district court's October 2, 1987 findings seem to adopt that view. Pet., App. F at 90a-91a ("Union Pacific, although not named as a formal party to the suit, initiated and facilitated *Missouri v. Andrews* . . . without a genuine desire for judicial relief").

UP pretends that fomenting is merely another phase of its petitioning—here petitioning Nebraska to maintain the *Andrews* suit. But fomenting another's suit, even one by a state, has little connection with *Noerr*'s concern to immunize governmental restraints of competition and private activity seeking such restraints. Moreover, UP inconsistently claims protection for petitioning Nebraska while portraying itself as merely responding to Nebraska's petitioning of UP for assistance. Pet. at 6.

The circumstances of an antitrust defendant's involvement in another's suit, as they may affect application of the principles of *Noerr* and *California Motor*, can vary enormously. At one end of the spectrum, one may altruistically provide only legal or factual research, pursuant to request. At the other end of the spectrum one may foment litigation by instigating a party to bring a suit that would not otherwise have been brought and then surreptitiously funding and controlling the litigation.

We respectfully suggest that it would be unwise for this Court to rule abstractly on those issues at the preliminary stage of this case, where the facts about UP's involvement in others' litigation have not yet been developed or ruled upon by the court of appeals. The legal contours of the *Noerr* protection for fomenting/assisting the litigation of others should be deliberated on the basis of a full record and settled facts, after appellate review, rather than on *certiorari* in the present mandamus proceedings.<sup>27</sup>

---

<sup>27</sup> Subsequent to the filing of the petition for *certiorari*, ETSI and the Union Pacific entered into a settlement agreement pursuant to which the district court dismissed ETSI's claim against UP on November 5, 1987. As a result, ETSI no longer asserts any treble

## CONCLUSION

The railroads' petition rests on the false legal premise that what is generally appropriate is *always* appropriate without regard to the circumstances. It deals in abstractions without regard to context. The very necessity of confronting the circumstances makes grant of the writ inappropriate at this mandamus stage of the suit.

Respectfully submitted,

HARRY M. REASONER  
JOHN L. MURCHISON, JR.\*  
W. DALTON TOMLIN  
JOHN L. CARTER  
JOHN D. TAURMAN  
CHARLES W. SCHWARTZ  
ROBERT C. WALTERS  
CELSO M. GONZALEZ-FALLA  
VINSON & ELKINS  
First City Tower  
Houston, Texas 77002  
(713) 651-2222

MICHAEL J. HENKE  
C. MICHAEL BUXTON  
JAMES R. LAYTON  
MICHAEL E. GLOVER  
GRETCHEN A. HEGEMIER  
VINSON & ELKINS  
1455 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 639-6500

GILBERT I. LOW  
ORGAIN, BELL & TUCKER  
470 Orleans Street  
Beaumont, Texas 77701  
(409) 838-6412

*Attorneys for Respondents  
Energy Transportation Systems,  
Inc. and ETSI Pipeline Project,  
A Joint Venture*

\* Counsel of Record

*Of Counsel:*

PHILLIP AREEDA  
Langdell Hall  
Cambridge, Massachusetts 02138  
(617) 495-3160

November 30, 1987

---

damage claim against UP. Since UP is the only railroad accused of "assisting" a state government, the issue whether such assistance "can give rise to treble damage liability under the antitrust laws" is no longer presented by ETSI's complaint.

5  
No. 87-705

Supreme Court, U.S.

FILED

NOV 30 1987

JOSEPH E. SPANIOLO, JR.  
CLERK

**In the Supreme Court of the United States**

**OCTOBER TERM, 1987**

UNION PACIFIC RAILROAD COMPANY, UNION  
PACIFIC CORPORATION, MISSOURI PACIFIC  
RAILROAD COMPANY, KANSAS CITY SOUTHERN  
INDUSTRIES, INC., KANSAS CITY SOUTHERN  
RAILWAY COMPANY, BURLINGTON NORTHERN,  
INC., BURLINGTON NORTHERN RAILROAD COM-  
PANY, AND CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY,

*Petitioners,*

vs.

ENERGY TRANSPORTATION SYSTEMS, INC., AND  
ETSI PIPELINE PROJECT, A JOINT VENTURE,  
ET AL.,

*Respondents.*

**BRIEF FOR THE STATE OF MISSOURI AS AMICUS  
CURIAE IN SUPPORT OF PETITION FOR WRIT  
OF CERTIORARI**

WILLIAM L. WEBSTER

Attorney General

CURTIS F. THOMPSON, *Counsel of Record*

Assistant Attorney General

7th Floor, Broadway State

Office Building

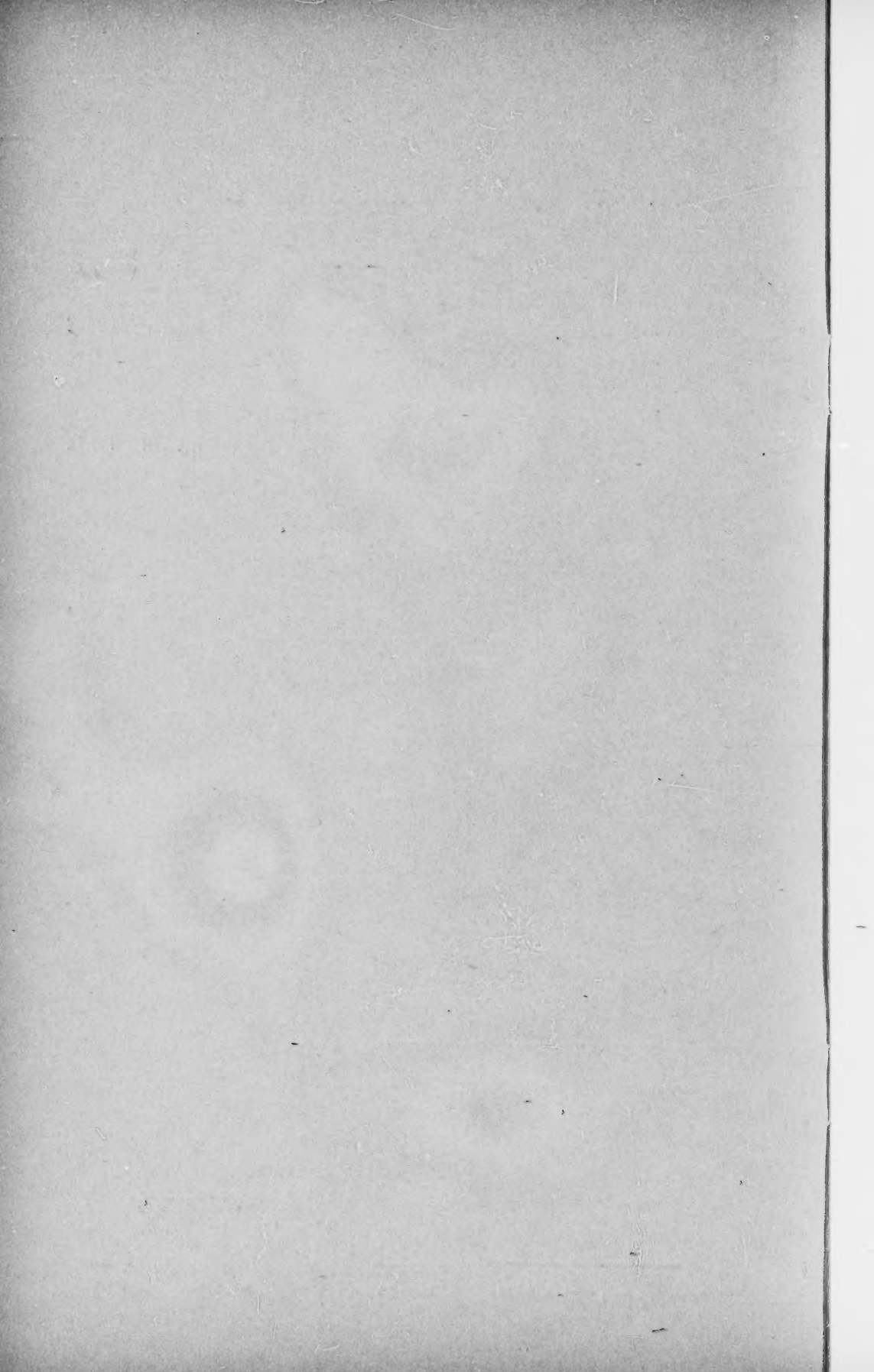
221 West High Street

P.O. Box 899

Jefferson City, Missouri 65102

314-751-8828

*Attorneys for Amicus Curiae,  
State of Missouri*



## TABLE OF CONTENTS

BRIEF FOR THE STATE OF MISSOURI AS AMICUS CURIAE IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI .....	1
------------------------------------------------------------------------------------------------------------	---

## TABLE OF AUTHORITIES

### Cases

<i>In re Burlington Northern, Inc.</i> , 822 F.2d 518 (5th Cir. 1987) .....	1
<i>Missouri v. Andrews</i> , 586 F. Supp. 1268 (D. Neb. 1984), aff'd, 787 F.2d 270 (8th Cir. 1986) .....	2, 3
<i>State of South Dakota v. State of Nebraska, State of Iowa and State of Missouri</i> , Case No. 103 Original ....	2

### Rule

Supreme Court Rule 36.4 .....	1
-------------------------------	---





No. 87-705

---

**In the Supreme Court of the United States**

**OCTOBER TERM, 1987**

---

UNION PACIFIC RAILROAD COMPANY, UNION  
PACIFIC CORPORATION, MISSOURI PACIFIC  
RAILROAD COMPANY, KANSAS CITY SOUTHERN  
INDUSTRIES, INC., KANSAS CITY SOUTHERN  
RAILWAY COMPANY, BURLINGTON NORTHERN,  
INC., BURLINGTON NORTHERN RAILROAD COM-  
PANY, AND CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY,

*Petitioners,*

vs.

ENERGY TRANSPORTATION SYSTEMS, INC., AND  
ETSI PIPELINE PROJECT, A JOINT VENTURE,  
ET AL.,

*Respondents.*

---

**BRIEF FOR THE STATE OF MISSOURI AS AMICUS  
CURIAE IN SUPPORT OF PETITION FOR WRIT  
OF CERTIORARI**

---

The state of Missouri as *amicus curiae* pursuant to Supreme Court Rule 36.4 urges that this Court grant the petition for a writ of certiorari in the above-captioned case in order to review the decision of the United States Court of Appeals for the Fifth Circuit in its Case No. 87-2177, *In re Burlington Northern, Inc.*, 822 F.2d 518 (5th Cir. 1987).

The interests of the state of Missouri are two-fold. First, the state believes that the attorney work product and attorney-client privileges have been subverted by the decision below. Secondly, the state believes that disclosure of its work product to an adverse party in pending litigation is without justification and may work unjust hardships on the state in that litigation. Moreover, disclosure of that work product may have the same impacts of the case styled *State of South Dakota v. State of Nebraska, State of Iowa and State of Missouri*, Case No. 103 Original, should this Court grant the pending renewed motion to file a complaint by the state of South Dakota.

The decision below would chill the ability of litigants and their attorneys from frank discussion about litigation and would chill the ability of friendly co-counsel from similar discussions among attorneys. The likelihood that records of discussions among co-counsel and shared written material analyzing issues could be obtained by adverse parties through discovery in subsequent proceedings would reduce such cooperation and cause such cooperation to be nearly non-existent. Such a result would lead to more lengthy trial preparation, trial time, and number of cases brought in an already over-burdened court system.

The state believes that disclosure of privileged documents such as draft briefs, legal memoranda, draft complaints, notes and correspondence prepared by state attorneys and officials, and other documents containing their privileged work product, relating to *Missouri v. Andrews*, 586 F. Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986) and under submission to this Court in Case Nos. 86-939 and 86-941 would be completely inappro-

priate. Moreover, the very real possibility exists that if disclosure of privileged documents is made, that issues in *Missouri v. Andrews* may be litigated in the case below without the participation of plaintiff states and defendant federal government agencies and officials.

The state will not burden this Court with a summary of the proceedings in *Missouri v. Andrews*, because this Court is well aware of those activities. However, in the course of preparing their case, attorneys for the state conferred with attorneys for Kansas City Southern, which was a friendly litigant. The attorneys exchanged draft pleadings, motions, briefs, legal memoranda, and correspondence concerning the case. ETSI has admitted that all of these documents are privileged attorney work product, and most of them are opinion work product, which enjoys nearly absolute immunity from discovery.

The Fifth Circuit decision, if allowed to stand, may allow production of *this state's work product*, even though there has been absolutely no showing that the state action fits within any exception to the privileges. The Court did state in footnote 12 of its decision that it was confident that the district court would safeguard privileges asserted by parties to *Andrews* including this state. However, the decision of the Fifth Circuit does not guarantee those protections, As a result, this state respectfully

requests this Court to grant the petition for writ of certiorari.

Respectfully submitted,

WILLIAM L. WEBSTER

Attorney General

CURTIS F. THOMPSON, *Counsel of Record*

Assistant Attorney General

7th Floor, Broadway State

Office Building

221 West High Street

P.O. Box 899

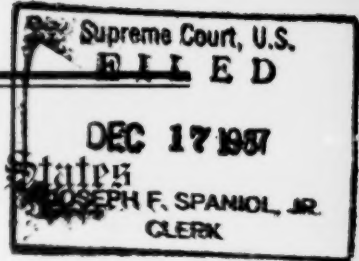
Jefferson City, Missouri 65102

314-751-8828

*Attorneys for Amicus Curiae,  
State of Missouri*



IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1987



UNION PACIFIC RAILROAD COMPANY,  
UNION PACIFIC CORPORATION,  
MISSOURI PACIFIC RAILROAD COMPANY,  
KANSAS CITY SOUTHERN INDUSTRIES, INC.,  
KANSAS CITY SOUTHERN RAILWAY COMPANY,  
BURLINGTON NORTHERN, INC.,  
BURLINGTON NORTHERN RAILROAD COMPANY, AND  
CHICAGO AND NORTH WESTERN  
TRANSPORTATION COMPANY,  
v. *Petitioners,*

ENERGY TRANSPORTATION SYSTEMS, INC., AND  
ETSI PIPELINE PROJECT, A JOINT VENTURE, *et al.*,  
*Respondents.*

On Petition for a Writ of Certiorari to the United States  
Court of Appeals for the Fifth Circuit

**REPLY BRIEF FOR PETITIONERS**

B.J. BRADSHAW  
RICHARD N. CARRELL  
LAYNE E. KRUSE  
FULBRIGHT & JAWORSKI  
1301 McKinney Street  
Houston, TX 77010  
(713) 651-5151

HENRY P. SAILER  
GREGG H. LEVY \*  
MITCHELL F. DOLIN  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 662-6000

JOHN G. BISSELL  
STRONG, PIPKIN, NELSON &  
BISSELL  
595 Orleans Street  
Beaumont, TX 77701  
(409) 835-4581

*Attorneys for Petitioners Union Pacific Railroad Company,  
Union Pacific Corporation and  
Missouri Pacific Railroad Company*

[Counsel for other petitioners are identified on the inside cover]

December 1987

\* Counsel of Record

10/28/87



O. J. WEBER, JR.  
MEHAFFY, WEBER, KEITH &  
GONSOLIN  
P.O. Box 16  
Beaumont, TX 77704  
(409) 835-5011

JOHN H. SHENEFIELD \*  
PETER E. HALLE  
MORGAN, LEWIS & BOCKIUS  
1800 M Street, N.W.  
Washington, D.C. 20036  
(202) 872-5000

*Attorneys for Petitioners*  
*Kansas City Southern Industries, Inc. and*  
*Kansas City Southern Railway Company*

LOUIS B. PAINE, JR.  
BUTLER & BINION  
1600 Allied Bank Plaza  
Houston, TX 77002  
(713) 237-3111

JOHN R. LABOVITZ  
MARK F. HORNING \*  
STEPTOE & JOHNSON  
1330 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
(202) 429-3000

*Attorneys for Petitioners*  
*Burlington Northern, Inc. and*  
*Burlington Northern Railroad Company*

WALTER J. CRAWFORD, JR.  
WELLS, PEYTON, BEARD,  
GREENBERG, HUNT &  
CRAWFORD  
550 Fannin Street  
Beaumont, TX 77704  
(409) 838-2644

GARY SENNER \*  
STEVEN H. FRANKEL  
SONNENSCHN EIN CARLIN NATH &  
ROSENTHAL  
233 S. Wacker Drive  
Chicago, IL 60606  
(312) 876-8059

*Attorneys for Petitioner*  
*Chicago and North Western Transportation Company*

\* Counsel of Record

## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
I. THE COURT SHOULD GRANT CERTIORARI TO RESOLVE THE CONFLICTS AMONG THE CIRCUITS WITH REGARD TO SUC- CESSFUL AND DEFENSIVE PETITIONING..	2
II. THE THIRD AND FOURTH ISSUES PRE- SENTED, AS TO WHICH THERE ARE CLEAR AND EXTENSIVE CONFLICTS AMONG THE CIRCUITS, ARE SQUARELY "INVOLVED IN THIS PROCEEDING" .....	6
III. REVIEW AFTER TRIAL COULD NOT CURE THE IRREPARABLE INJURY CAUSED BY ABROGATION OF THE ATTORNEY-CLIENT PRIVILEGE AT THIS STAGE .....	9
CONCLUSION .....	10

# TABLE OF AUTHORITIES

Cases:	Page
<i>Bill Johnson's Restaurants, Inc. v. NLRB</i> , 461 U.S. 731 (1983) .....	2, 3
<i>Brunswick Corp. v. Riegel Textile Corp.</i> , 752 F.2d 261 (7th Cir. 1984), <i>cert. denied</i> , 472 U.S. 1018 (1985) .....	6
<i>Columbia Pictures Industries, Inc. v. Redd Horne, Inc.</i> , 749 F.2d 154 (3d Cir. 1984) .....	2
<i>Eastern Railroads Presidents' Conference v. Noerr Motor Freight, Inc.</i> , 365 U.S. 127 (1961) .....	<i>passim</i>
<i>General Oil Co. v. Crain</i> , 209 U.S. 211 (1908) .....	4
<i>Harper &amp; Row Publishers, Inc. v. Decker</i> , 423 F.2d 487 (7th Cir. 1970), <i>aff'd by an equally divided Court</i> , 400 U.S. 348 (1971) .....	9
<i>In re Burlington Northern, Inc.</i> , No. 87-6115 (5th Cir. Nov. 3, 1987) .....	8
<i>Maness v. Meyers</i> , 419 U.S. 449 (1975) .....	9
<i>Parker v. Brown</i> , 317 U.S. 341 (1943) .....	4
<i>Taylor Drug Stores, Inc. v. Associated Dry Goods Corp.</i> , 560 F.2d 211 (6th Cir. 1977) .....	3
<i>United Mine Workers v. Pennington</i> , 381 U.S. 657 (1965) .....	<i>passim</i>
<i>Upjohn Co. v. United States</i> , 449 U.S. 383 (1981) ..	9
<i>Westmac, Inc. v. Smith</i> , 797 F.2d 313 (6th Cir. 1986), <i>cert. denied</i> , 107 S. Ct. 885 (1987) .....	8
Treatise:	
P. Areeda & H. Hovenkamp, <i>Antitrust Law</i> (1987 Supp.) .....	<i>passim</i>

IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1987

---

No. 87-705

---

UNION PACIFIC RAILROAD COMPANY, *et al.*,  
*Petitioners,*

v.

ENERGY TRANSPORTATION SYSTEMS, INC., *et al.*,  
*Respondents.*

---

On Petition for a Writ of Certiorari to the United States  
Court of Appeals for the Fifth Circuit

---

**REPLY BRIEF FOR PETITIONERS**

---

The respondents do not dispute the fact that the first two issues presented—involving antitrust liability for successful litigation and defense of litigation—are ripe for review. Nor do they deny that the circuits are in conflict on these important issues of antitrust law and first amendment doctrine.

Instead, without defending the novel three-part test adopted below, the ETSI respondents rest their opposition on a misconceived premise: that because a hypothetical antitrust defendant *could* litigate with improper motives a case that it wins or defends, this Court should refuse to grant review to resolve the clear conflicts among the circuits on the questions presented. On the same premise, respondents contend erroneously that there is no basis for the rules of law, established in several circuits but rejected below, barring antitrust liability for successful or defensive petitioning. As we demonstrate

in Part I below, respondents' premise ignores virtually all of the standard criteria for granting review and, on the merits, cannot be squared with the principle established by this Court in *Bill Johnson's Restaurants*<sup>1</sup> that litigation must be objectively "baseless" before its constitutional protection can be revoked.

In Part II, we show that ETSI is simply wrong in suggesting that the third and fourth issues presented, on which there are irreconcilable conflicts among the circuits, "are not involved in this proceeding." Opp. at i. In Part III, we demonstrate that immediate review of the issues presented is warranted to avoid irreparable injury to petitioners and an unjustifiable waste of scarce judicial resources.<sup>2</sup>

# **I. THE COURT SHOULD GRANT CERTIORARI TO RESOLVE THE CONFLICTS AMONG THE CIRCUITS WITH REGARD TO SUCCESSFUL AND DEFENSIVE PETITIONING.**

1. ETSI is quick to condemn any "categorical rule" for successful litigation, but the simple fact is that several courts of appeals other than the Fifth Circuit *have* adopted a categorical rule under which success on the merits bars antitrust liability.<sup>3</sup> Indeed, ETSI's counsel

<sup>1</sup> *Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731 (1983).

<sup>2</sup> It is neither necessary nor appropriate for us to refute here ETSI's colorful "factual" statement. That ETSI has grossly distorted the facts is evidenced by the recommended opinion of Special Master John F. Sutton, Jr., former Dean of the University of Texas Law School. After a detailed review and analysis of the same record, the Special Master found that ETSI had failed even to make a "prima facie showing" of sham with regard to the railroads' defense of the numerous crossing rights cases or their participation in the successful *Andrews* litigation. Pet. App. C, at 73a, 77a. The liberties taken by ETSI help to explain its suggestion that, in addressing the issues presented, the Court should consider its "factual" statement as a hypothetical case. See Opp. at 4 n.4.

<sup>3</sup> *E.g.*, *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 161 (3d Cir. 1984) ("Success on the merits" makes it

elsewhere has advocated such a rule and confirmed that it is the majority view: "Most courts agree with [this treatise] that successful judicial action is not a 'sham,' regardless of the motive of the plaintiff in that action." P. Areeda & H. Hovenkamp, *Antitrust Law* 19 (1987 Supp.). The square conflict between the categorical rule in most circuits and the different standard adopted below by the Fifth Circuit presents a compelling reason for certiorari.

Moreover, ETSI neglects even to cite this Court's recent decision in *Bill Johnson's Restaurants*, upon which the dissent below relied. See Pet. App. A, at 31a-33a. In that case, Justice White's opinion for a unanimous Court expressly held that improper "motive and lack of reasonable basis are both essential prerequisites" to abrogating the constitutional protection for petitioning conduct. 461 U.S. at 743 (emphasis added). See *generally* Pet. at 11-12. Thus, while ETSI complains vigorously about any "categorical rule" protecting meritorious litigation, this Court has already embraced such a rule, albeit in a somewhat different context, in evaluating challenges to petitioning conduct. See *id.*<sup>4</sup>

---

"impossible . . . to prove bad faith"); see also *Taylor Drug Stores, Inc. v. Associated Dry Goods Corp.*, 560 F.2d 211, 213-14 (6th Cir. 1977) (summary judgment affirmed for defendant despite anticompetitive motive because challenged lawsuit to enforce Sunday closing law against competing merchant was successful).

<sup>4</sup> ETSI's abstract definitional concerns about meritorious or successful litigation are of no consequence. Such issues have not previously troubled this Court (or any other court of which we are aware) in addressing petitioning conduct. And the courts below had no difficulty concluding that the "[r]ailroads were successful in the *Andrews* litigation." *E.g.*, Pet. App. B, at 54a n.56. (That conclusion is certainly not undermined because the *Andrews* courts declined to reach counts other than the dispositive water law claim.) Thus, there is no basis for ETSI's position that, because success in litigation may occasionally be "limited [or] peculiar," this Court should neither resolve the conflict among the circuits nor adopt a rule of law addressing antitrust challenges to successful litigation.



ETSI's failure to challenge directly the authorities adopting a "categorical rule" for successful petitioning reflects a pervasive flaw in its opposition. ETSI's analysis gives no weight to the constitutional protection afforded petitioning conduct, to the chilling effect of the rule of law adopted below, or to the burden on courts and antitrust defendants of a rule that both requires relitigation in an antitrust forum of the reasonableness of claims resolved in the successful suit and precludes summary disposition of antitrust challenges to successful litigation. Ignoring all other pertinent considerations, ETSI simply contends that the sham exception should be stretched to ensure that the very rare successful litigant with an improper motive is subjected to treble damage liability.

This Court has never before allowed the intersection of constitutional doctrine and substantive law to be defined by such a "worst case" concern or by such a narrow analytical framework. Instead, the Court has long recognized that "[c]onstitutional provisions are based on the possibility of extremes. . . . Zeal for policies, estimable it may be of themselves, [should not] overlook or underestimate [constitutional] rights." *General Oil Co. v. Crain*, 209 U.S. 211, 226-27 (1908). Thus, in *Noerr* itself, the fact "that the railroads' sole purpose . . . was to destroy the truckers as competitors" was held not to "transform conduct otherwise lawful into a violation of the Sherman Act." *Eastern Railroads Presidents' Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 138-39 (1961).

This Court should not depart here from that basic approach. In its apparent "[z]eal for [antitrust] policies," the panel majority below ignored the important first amendment considerations that shape the *Noerr* doctrine. It also ignored the fact that regardless of a petitioner's motive, the diminution of competition caused by success-

ful petitioning is attributable to government action.<sup>5</sup> As a result, it reached a conclusion contrary to the holdings of numerous other circuits. This Court should grant review to resolve that irreconcilable conflict.

2. The same basic flaws shape ETSI's cursory discussion of the second question presented, addressing antitrust liability for the defense of litigation. ETSI does not deny that this issue is ripe for review. Nor does it dispute that the holding below squarely conflicts with a recent decision of the Seventh Circuit, and that this Court's decisions uniformly consider sham litigation exclusively in offensive terms. Instead, ETSI simply contends that the "facts" here would justify a result different from that prescribed by the principle of law that governs in the Seventh Circuit. See Opp. at 23. Other than the result it seeks to achieve in this case, ETSI offers no justification for the *legal principle* adopted below—that the same standard should be applied to the defense and the prosecution of litigation—and no answer to the compelling grounds for resolution of the square conflict that the decision below presents.

ETSI, like the court below, takes no regard of the constitutional burdens—on both petitioning rights under the first amendment and due process rights under the fifth amendment—that would result from the imposition of antitrust liability on the defense of litigation. See Pet. at 15-16. Nor does ETSI or the Fifth Circuit acknowledge the fundamental differences, from an antitrust perspective, between initiating and defending a lawsuit. See *id.* at 15. Guidance from this Court is needed precisely because the rule of law in the Fifth Circuit ignores these important considerations while the conflicting rule in the Seventh Circuit accommodates

---

<sup>5</sup> See, e.g., *Noerr*, 365 U.S. at 136; *Parker v. Brown*, 317 U.S. 341, 351-52 (1943). "The government's decision to act reflects an independent governmental choice, constituting a supervening 'cause' that breaks the link between a private party's request and the plaintiff's injury." P. Areeda, *supra*, at 10.

them. Compare Pet. App. A, at 27a (“We perceive no reason to apply any different standard to defending lawsuits than to initiating them.”) with *Brunswick Corp. v. Riegel Textile Corp.*, 752 F.2d 261, 264 (7th Cir. 1984) (“simply defending oneself” in a proceeding brought by another is not “actionable”), *cert. denied*, 472 U.S. 1018 (1985).

## II. THE THIRD AND FOURTH ISSUES PRESENTED, AS TO WHICH THERE ARE CLEAR AND EXTENSIVE CONFLICTS AMONG THE CIRCUITS, ARE SQUARELY “INVOLVED IN THIS PROCEEDING.”

1. ETSI asserts that the Fifth Circuit’s holding on antitrust liability for assistance to State governments is “entirely moot and of no consequence to this case.” Opp. at 24. That assertion is flatly untrue. The Fifth Circuit’s test is framed in the disjunctive, thus permitting a court to find, as the district court subsequently found on remand, that assistance to a State was a sham even though the antitrust defendant would have had standing to bring the State’s suit. See, *e.g.*, Pet. App. A, at 29a-30a.

Thus, while Union Pacific’s standing to bring the causes of action asserted by the States in *Andrews* has now been conceded by respondents (see Opp. at 24), the third question presented remains one of compelling importance to the case. Respondent Houston Lighting & Power still contends that Union Pacific’s assistance to Nebraska was a sham, relying (as did the district court) on the “subjective intent” prong of the test prescribed below. See Pet. App. F, at 92a-93a.<sup>6</sup> ETSI and HL&P raise similar claims against petitioner Kansas City Southern.<sup>7</sup> Accord-

<sup>6</sup> ETSI’s claims against Union Pacific and Chicago & North Western have been dismissed, but those railroads remain defendants in the claims asserted by plaintiff-respondent HL&P.

<sup>7</sup> See, *e.g.*, Opp. at 11 (“The railroads also persuaded three states . . . to bring . . . suit against the federal government.”) (emphasis added).

ingly, these issues remain in the case and are squarely presented by the petition.

Contradicting its mootness argument, ETSI also contends that the “assistance” question is not yet ripe for review. Opp. at 25. That contention is frivolous. Relying on the Fifth Circuit’s holding below—that litigation assistance afforded a State in prosecuting a successful lawsuit may violate the antitrust laws—the district court has again ordered the railroads to produce all of their attorney-client documents relating to *Andrews*. Pet. App. F, at 90a-91a. This issue is not only ripe; unless the Court grants review at this stage, petitioners will soon be required to produce those documents—a result that could not be undone by review at a later time.

In a footnote, ETSI offers its only substantive answer to the irreconcilable conflict between the holding below and recent decisions of the Fourth, Ninth and Tenth Circuits<sup>8</sup> on the question of assisting a State government. In the other cases, according to ETSI, the antitrust defendant “had an entirely legitimate personal interest in the enforcement of law . . . designed to protect its own legal interests.” Opp. at 25 n.26. That distinction evaporates, of course, with ETSI’s concession that Union Pacific “*would have had standing* to bring, in its own name, the causes of action asserted by the State of Nebraska in the *Andrews* case.” *Id.* at 24 (emphasis in original). The square conflict on the issue of antitrust liability for assisting State governments warrants review by this Court.

2. Ignoring almost entirely the fourth question presented,<sup>9</sup> ETSI denies that the panel majority’s holding allows abrogation of *Noerr-Pennington* protection without

---

<sup>8</sup> See Pet. at 16-18.

<sup>9</sup> “Whether first amendment rights and *Noerr-Pennington* protection can be abrogated without consideration of the reasonableness of the litigant’s legal position and conduct in the proceedings challenged as sham.” Pet. at i.

regard to the reasonableness of the litigant's legal position and conduct in the proceedings challenged as sham. See Opp. at 20. ETSI is again wrong in arguing that the Fifth Circuit's three-part test is conjunctive rather than disjunctive. The Fifth Circuit squarely held that anti-trust liability may be imposed if the plaintiff proves *only* that "the litigation was undertaken without a genuine desire for judicial relief as a significant motivating factor." Pet. App. A, at 29a-30a. There can be no reasonable dispute about this aspect of the majority's holding: the district court, ignoring the objective merit of petitioners' legal positions and relying *solely* on petitioners' subjective intent, subsequently found that each of the challenged proceedings was a sham. Pet. App. F, at 90a-92a. Indeed, the district court expressly stated that it "finds no need and therefore makes no finding with regard to whether the railroad defendants may have had a reasonable expectation of judicial relief in either the 'window' or *Andrews* litigation." *Id.* at 92a. The Fifth Circuit declined to grant mandamus review of that finding.<sup>10</sup>

ETSI cannot credibly dispute that such a test, based entirely on subjective intent, conflicts with the objective test used in other circuits. Instead, ETSI seeks to blur the conflict with misleading quotations from other appellate decisions. One example illustrates this point. ETSI denies (Opp. at 21 n.22) that the Sixth Circuit recently held that an objective test should be applied in *Westmac, Inc. v. Smith*, 797 F.2d 313 (6th Cir. 1986), *cert. denied*, 107 S. Ct. 885 (1987). Yet ETSI's own counsel recently (and correctly) confirmed that in *Westmac*, the Sixth Circuit "attempted to create an objective test for identifying [sham] litigation," the same test that ETSI's counsel endorses in his treatise. P. Areeda, *supra*, at 18.

Thus, in the Sixth Circuit (and numerous others), first amendment rights may not be abrogated without an

---

<sup>10</sup> *In re Burlington Northern, Inc.*, No. 87-6115 (5th Cir. Nov. 3, 1987).

assessment of the objective reasonableness of the antitrust defendant's position and conduct in the challenged proceeding; in the Fifth Circuit, a court may (and the district court below did) find a sham based *solely* on the antitrust defendant's subjective intent. The conflict between those two rules of law is clear. The confusion among the circuits on the issue is extensive. The fourth question presented warrants this Court's review.

### III. REVIEW AFTER TRIAL COULD NOT CURE THE IRREPARABLE INJURY CAUSED BY ABROGATION OF THE ATTORNEY-CLIENT PRIVILEGE AT THIS STAGE.

ETSI argues that certain issues raised by the Fifth Circuit's ruling could be reviewed more effectively after trial. This argument fundamentally misrepresents the posture of the present dispute as well as the nature of the questions presented. Absent immediate review, petitioners' attorney-client privilege would be abrogated, and counsels' ability to give effective legal advice would be chilled. See, *e.g.*, *Maness v. Meyers*, 419 U.S. 449, 460 (1975) (appellate courts cannot "'unring the bell' once the information has been released"). For these reasons, significant issues affecting the attorney-client privilege have been reviewed regularly by this Court in the context of discovery, not after trial. See *Upjohn Co. v. United States*, 449 U.S. 383 (1981); *Harper & Row Publishers, Inc. v. Decker*, 423 F.2d 487 (7th Cir. 1970), *aff'd by an equally divided Court*, 400 U.S. 348 (1971).

In addition, the notion that a "more complete factual record" would shed light on certain issues presented is frivolous. The questions presented are pure questions of law. Moreover, the consequence of deferring review would be to ensure that the same errors of law become the basis for jury instructions at the end of a very lengthy and costly trial, which is not likely to begin before the summer of 1988. There is ample time and compelling reason for this Court to resolve those legal issues before trial.



## CONCLUSION

There is no serious dispute that the questions presented are ripe for this Court's review, that the circuits are divided on those questions, and that the questions raise frequently recurring problems on important issues of law. A writ should issue to resolve all four questions.

Respectfully submitted,

B.J. BRADSHAW  
RICHARD N. CARRELL  
LAYNE E. KRUSE  
FULBRIGHT & JAWORSKI  
1301 McKinney Street  
Houston, TX 77010  
(713) 651-5151

HENRY P. SAILER  
GREGG H. LEVY \*  
MITCHELL F. DOLIN  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 662-6000

JOHN G. BISSELL  
STRONG, PIPKIN, NELSON &  
BISSELL  
595 Orleans Street  
Beaumont, TX 77701  
(409) 835-4581

*Attorneys for Petitioners Union Pacific Railroad Company,  
Union Pacific Corporation and  
Missouri Pacific Railroad Company*

O. J. WEBER, JR.  
MEHAFFY, WEBER, KEITH &  
GONSOLIN  
P.O. Box 16  
Beaumont, TX 77704  
(409) 835-5011

JOHN H. SHENEFIELD \*  
PETER E. HALLE  
MORGAN, LEWIS & BOCKIUS  
1800 M Street, N.W.  
Washington, D.C. 20036  
(202) 872-5000

*Attorneys for Petitioners  
Kansas City Southern Industries, Inc. and  
Kansas City Southern Railway Company*

LOUIS B. PAINE, JR.  
BUTLER & BINION  
1600 Allied Bank Plaza  
Houston, TX 77002  
(713) 237-3111

JOHN R. LABOVITZ  
MARK F. HORNING \*  
STEPTOE & JOHNSON  
1330 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
(202) 429-3000

*Attorneys for Petitioners  
Burlington Northern, Inc. and  
Burlington Northern Railroad Company*

WALTER J. CRAWFORD, JR.  
WELLS, PEYTON, BEARD,  
GREENBERG, HUNT &  
CRAWFORD  
550 Fannin Street  
Beaumont, TX 77704  
(409) 838-2644

GARY SENNER \*  
STEVEN H. FRANKEL  
SONNENSCHNEIN CARLIN NATH &  
ROSENTHAL  
233 S. Wacker Drive  
Chicago, IL 60606  
(312) 876-8059

*Attorneys for Petitioner  
Chicago and North Western Transportation Company*

December 1987

\* Counsel of Record